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Policy paper 6: Urban spatial strategies: land market and segregation*

Note by the secretariat

The secretariat of the United Nations Conference on Housing and Sustainable Urban Development (Habitat III) hereby transmits a policy paper entitled "Urban spatial strategies: land market and segregation", prepared by the members of Policy Unit 6.

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Policy paper 6: Urban spatial strategies: land market and segregation

Executive summary

The guiding principle of this paper is that the organization of space is inseparable from the quest for sustainable development. Inequalities, a growing concern for most countries and the international community, are expressed in the physical segregation of different income, social and ethnic groups and in the substandard conditions of the places where the poor work live and work. The negative externalities caused by haphazard city growth and lack of proper planning such as sprawl, pollution, and traffic congestion are a tremendous burden on the cities' vocation for attracting investment, employment and sustainable growth. The physical segregation of the city according to separate functional areas, such as business, industry and housing, creates dullness, alienation and insecurity. The unregulated functioning of land markets only reinforces the tendency to produce physical separations between urban elites and the rest of the urban population. Sprawl and low density development compete with the preservation of the vital roles of peri-urban and rural areas in feeding larger urban centres and offering sustainable livelihoods to rural residents. Finally, the same physical development model is a major cause of environmental degradation and a major contributor to CO2 emissions far in excess of what wiser spatial organization models would entail.

At long last, the world is awakening to the importance of sustainable urban development. Part of the reason is the media attention around the fact that for the first time in the planet's history, the majority of the world's population live in urban areas. Moreover, United Nations projections indicate that more than nine tenths of the world's total population increase midway into the present century will be living in the cities of today's developing world. This attention and these scenarios are reflected in the fact that the 2030 Agenda for Sustainable Development devotes one of its 17 Sustainable Development Goals and its 10 targets to making cities inclusive, safe, resilient and sustainable.

However, this paper argues that this goal, as well as the inversion of the negative trends described above, can only be reached by vigorous and visionary "urban spatial strategies". They will have to be vigorous because the forces at play are powerful and interested in maintaining the status quo. And they will have to be visionary because the participation and support of people and actors committed to an equitable and just future for all will need a bold and inspiring blueprint of how the city will be structured and organized.

The policy unit focused on six main challenges to act upon in order to produce effective and actionable building blocks for the proposed urban spatial strategies. They are:

(a) Form and configuration of cities and territories;

(b) Land policy as a tool to promote equality and secure resources;

(c) Access to the benefits of urbanization;

(d) Coordination among different levels of plans and policies and among sectors;

(e) Provision and distribution of good green and public space;

(f) Knowledge about balanced territorial development and urban spatial strategies.

Coherently with this choice and with the considerations made above, the Policy Unit has concluded this report with key messages listed below. They have been drafted with the intention of stating, in a way that everybody can easily understand and hopefully subscribe to, the goals described in detail in the main body of the paper.

1. Urban spatial strategies

The organization of physical space is key to sustainable urban and territorial development. It can be successfully achieved through fair and comprehensive urban spatial strategies.

2. Designing the sustainable city

Compact development and redevelopment on a human scale is the basis for the enjoyment of urban life by all, the satisfaction of basic needs, a vibrant economy and the protection of the environment.

3. Using land markets to combat segregation

Appropriate legislation and planning measures can make sure that part of the wealth generated by urbanization processes is shared collectively, providing security of tenure and access to land and services, and combat physical and social segregation and improve the living conditions of the urban poor.

4. Extending the benefits of urbanization to all

Urban strategies must guarantee that the benefits and services cities can offer are shared by all, regardless of income, lifestyle, place of residence and type and size of settlement.

5. Integrating levels, scales and actors of planning

The integration between levels of planning, sectors and urban and rural development is essential for the success of urban spatial strategies. Useful tools to achieve this goal are available, including the *International Guidelines on Urban and Territorial Planning*.

6. Shaping the city through green and public space

Green and public space is what defines the identity and character of a city, expresses its physical structure and provides the lifeline of city life: recreation, mobility, interaction, and togetherness.

7. A global dialogue for sustainable planning

The continuation of a global dialogue on the sustainable organization of urban and rural space will be vital for the successful implementation of the New Urban Agenda and the Sustainable Development Goals. The processes put in place by Habitat III could usefully be translated into continuous activities devoted to networking and the exchange of ideas, experiences, information and good practices.

Section I of the paper — Vision and framework of the policy paper's contribution to the New Urban Agenda — provides a background of the challenge that the rapid urbanizing world has to face. It illustrates the guiding principles that link the policy paper to the New Urban Agenda and defines urban spatial strategies as the key element to achieve the sustainable development of cities and territories.

Section II of the paper (Policy challenges) refers to the six key dimensions recalled above which the Policy Unit identified to design and implement successful urban spatial strategies and describes the factors and constrains that impede their effectiveness.

Section III of the paper (Prioritizing policy options) identifies the policy priorities and critical recommendations required to develop the six dimensions above into viable urban spatial strategies.

This Policy Unit recognizes that all components of society have to be informed and proactive parties in the implementations of the New Urban Agenda. However, section IV of the paper (Key actors for action) identifies those actors who have a key role to play in the design, implementation and monitoring of urban spatial strategies, starting with local governments.

In section V (Policy design, implementation and monitoring) the paper identifies key implementation aspects of the six urban spatial strategy components treated previously. Under finance mechanism, the positive connection is stressed among sound spatial strategies, the policy priorities suggested for the formulation and implementation, and the prospect for mobilizing the means to achieve the Conference's goals in cities. Under monitoring, the paper underlines that the Sustainable Development Goals, and particularly Goal 11, represent a powerful global standard for measuring the achievements of cities and territories in improving the living conditions of all. Sound urban spatial strategies require transparency and accountability in the planning process, which in turn necessitates reliable, open and easily accessible data. A promising development is the availability of free access to remote sense-derived geospatial data.

The final section (Conclusion) contains the seven key messages distilled from the Policy Unit's work.

I. Vision and framework of the policy paper's contribution to the New Urban Agenda

1. A New Urban Agenda framed on strong urban spatial strategies will help alleviate several current and anticipated social, economic and environmental conditions in a world that is 54 per cent urban in 2016 and rising to 66 per cent urban in the next 20 years. Among the most pressing global issues are poverty, inequality and environmental degradation. These concerns are spatially evident in cities and their surrounds in the proliferation of informal settlements and slums lacking basic services; fragmented sprawling urban development on risk-prone or fertile agricultural land; unbalanced territorial development characterized by weak infrastructural links, threatened ecosystems, depleted natural resources and loss of biodiversity.

2. The fact that the World Economic Forum in its 2015 *Global Risk Landscape* report (World Economic Forum 2015) cited "urban planning failure as a risk factor creating social, environmental and health challenges" and the estimation that in 2012, 60 per cent of the built environment to exist in 2030 is yet to be built,[1] underlines the critical importance of making the design and management of the form and configuration of cities and territories the top priority of this paper.

3. With its focus on delineating strong urban spatial strategies that advance integrative and equitable decision-making processes for sustainable urban development, this paper builds on the guiding assumptions of the New Urban Agenda. These assumptions include: its foundation in human rights approaches, antecedents and agreed-upon language from prior United Nations agreements; its universal applicability that leaves room for adaptation by Member States according to their respective values and contexts; its commitment to subsidiarity and partnerships as essential elements in its crafting, implementation, and evaluation; and its belief that achieving sustainable urban development will occur only through the implementation of a robust action agenda including provisions for governance, legislation, finance, monitoring and knowledge creation. In particular, this paper draws on the frameworks and guidance offered by the 2030 Agenda for Sustainable Development, including Goal 11 (Make cities and human settlements safe, inclusive, resilient and sustainable) and related Goals, and the *International Guidelines on Urban and Territorial Planning* (UN-Habitat 2015a).

4. The strong urban spatial strategies must address six challenges now present across the world:

(a) Unsustainable form and configuration of cities and territories;

(b) Land: failure to use land policy as a tool to promote equality and secure resources;

(c) Inequitable access to the benefits of urbanization;

(d) Poor coordination among different levels of plans and policies and among sectors;

(e) Inadequate and uneven provision and distribution of good green and public space;

[1] Secretariat of the Convention on Biological Diversity 2012 as cited in issue paper 8.

(f) Incoherent and disassembled knowledge about balanced territorial development and urban spatial strategies.

5. Addressing these challenges calls for explicit, broadly conceived and executed urban spatial strategies focused on the sustainable use of land and space, provision of basic services and the equitable functioning of land markets. Examples of these strategies include development of national urban policies to ensure balanced territorial development within a nation, the crafting of regional and urban plans (with strategic guides, physical maps and plans — land use, public space, transport — and implementing regulations tied to capital expenditures for infrastructure investment), the using of land value capture mechanisms to share collectively the increments generated by public investments in infrastructure.

6. This process will require empowering communities through the identification and legal recognition of the roles, rights and responsibilities of key players in the appropriate sphere of government and civil society and the alignment of the interests of national, regional and local government and promoting stakeholder partnerships that cross-jurisdictional boundaries and disciplines.

7. The effective execution of these recommendations calls for focused financing and monitoring practices informed by knowledge creation and sharing.

8. Urban spatial strategies are key to the implementation of a New Urban Agenda. They have to address, in particular, the problem of social segregation caused by the way urban land markets operate, and the role of spatial planning providing tools for an integrated and sustainable urban development.

9. Nevertheless, looking at these issues, one has to also consider closely related problems which may be relevant in specific cases. Among them are weak legislation, weak governance, including insufficient political will and leadership, weak rule of law, lack of transparency and accountability in land acquisition and development, lack of value capture of public resources invested in infrastructure, land market failures and speculation, fragmentation of planning tools, uncontrolled sprawl, as well as inefficiency of land registration and cadastral systems.

10. With these issues in mind, urban spatial strategies can be defined as "spatial strategies which aim towards social and spatial integration and inclusion in cities, dealing with form and systems of cities, through the promotion of socially diverse neighbourhoods, accessibility to jobs, access to serviced land at affordable prices, as well as quality public space, including sufficient green spaces".

11. Spatial strategies are the product of participatory processes. They require well-functioning instruments of governance. They should encourage reflecting values and priorities as well as contribute to building and enhancing institutions in order to frame actions towards sustainable development.

12. Spatial strategies are key to the pursuit of sustainable development since they aim at saving land, protecting the environment, and organizing space in order to minimize waste and energy use and guarantee adequate living and working conditions to all regardless of their social and economic conditions.

13. Urban spatial strategies towards sustainability comprise and require strategic guide, physical plans and maps (e.g. on land use, housing, transport, and the environment), regulations for social housing and related land use, strategic

instruments for planning and implementation as well as an institutional framework which is conducive to sustainable development (UN-Habitat 2015a).

14. Urban spatial strategies are framed by four key elements: (a) legal basis (e.g. constitutions, charters, regulations and codes); (b) organization (i.e. structural organization, e.g. responsibilities of actors such as ministries, courts, technical agencies at the national, regional and local levels, as well as procedural organization, e.g. the organization of planning, implementation and monitoring processes); (c) strategic urban planning and design (e.g. national urban policies; regional/metropolitan, city, neighbourhood plans and programmes, including strategic environmental assessments); and (d) implementation mechanisms, including finance.

Guiding principles

1. Human rights approaches will be the foundation of the New Urban Agenda

15. The unanimously adopted Vienna Declaration and Programme of Action states that democracy, development, and respect for human rights and fundamental freedoms are interdependent and mutually reinforcing. Human rights standards contained in, and principles derived from, the Universal Declaration of Human Rights and other international human rights instruments have to guide all development and programming in all sectors and in all phases of the planning and, first of all, the integrative planning activities and documents — the content, design and development of urban spatial strategies.

2. The New Urban Agenda will build on antecedents and agreed-upon language from prior United Nations work

16. The Habitat Agenda will build on its heritage and then go on to more recent global agreements, some of which directly address cities and human settlements and others that imply the crafting and implementation of urban spatial strategies as essential to their success. First among them is the 2030 Agenda, notably Goal 11 and key targets, among others. For example, some 69 per cent of the targets require local action.

3. The New Urban Agenda will be universally applicable to nations around the world

17. The New Urban Agenda will be universally applicable to nations around the world, providing clear guidance for Member States on urban issues, while still leaving room for adaptation to national circumstances developed according to national needs, levels of development and other contextual considerations.

4. Subsidiarity and partnerships are essential elements in the crafting, implementation and evaluation of the New Urban Agenda

18. The New Urban Agenda recognizes subsidiarity and partnerships in the development, crafting and implementation of urban spatial strategies — it assumes that each tier of government and each sphere of governance have a role to play in the area of urban spatial strategies as defined above. This reinforces the importance of multiparty partnerships — vertical, horizontal, cross-jurisdictional and cross-

disciplinary — with rights and responsibilities clearly defined in the crafting and implementation of urban spatial strategies in the New Urban Agenda.

5. Evidence-based research drawn from the knowledge, expertise and experience of multiple stakeholders should inform the New Urban Agenda

19. A commitment to crafting mechanisms to support the creation of policy based on knowledge, expertise and experience of multiple stakeholders is critical for the conception, implementation and monitoring/evaluation of the New Urban Agenda.

20. This principle is reinforced repeatedly in the *International Guidelines for Urban and Territorial Planning*, which calls for "the advancement of research-based knowledge on urban and territorial planning" (p. 12) and throughout has references to the need to "develop new tools and transfer knowledge across borders and sectors that promote integrative, participatory and strategic planning" and "translate forecasts and projections into planning alternatives and scenarios to enable political decisions" (p. 26).

II. Policy challenges

A. Unsustainable form and configuration of cities and territories

21. As documented in Habitat III issue papers 8, 9, 10 and 11 and other references,[2] current urban development patterns offer five challenges related to the form and configuration of cities and territories, that are not being met by the today's governance systems. These challenges result in losses to economic productivity, they heighten inequality and threaten the environment.[3] They are: (a) inefficient land consumption expressed spatially in the worldwide rise of urban sprawl and an associated decline in density,[4] a phenomenon that causes inter alia higher costs for transport, WASH, reduction in the economic benefits of agglomeration, the degradation of ecosystem services, and the diminishing of resilience (Litman 2015); (b) the concomitant growth of unserviced informal settlements, often in risk-prone locations, in the developing world[5] and the hollowing out of central cities in the developed world; (c) The lack of balanced and integrated territorial development, or well-synchronized linkages along the continuum of urban to rural development,

[2] United Nations Task Team on Habitat III 2015c; United Nations Task Team on Habitat III 2015d; United Nations Task Team on Habitat III 2015a; United Nations Task Team on Habitat III 2015b and see for example Angel et al. 2010.

[3] See "deficient planning and infrastructure can reduce business productivity by as much as 40 per cent" (United Nations Task Team on Habitat III 2015c, p. 1) and "Globally, there is insufficient knowledge on the dynamics of small and intermediate cities where half of the world's urban people live, making them a missing link in understanding the dynamic of urban-rural interactions." (United Nations Task Team on Habitat III 2015a, p. 3).

[4] "In developing countries an average of 6 out of 7 cities experienced a decline in density, while in higher-income cities, a doubling of income per capita equated to a 40 per cent decline in average density. Cost of sprawl in the Unites States alone is estimated to cost $400 billion per year mostly resulting from higher infrastructure, public services and transport costs." (United Nations Task Team on Habitat III 2015c, p. 2).

[5] See issue paper 8 — Urban and spatial planning and design, p. 2 "the insufficient provision of an adequate number of well-connected serviceable plots has contributed to the increase of informal urbanization, with over 61 per cent of dwellers in sub-Saharan Africa, 24 per cent in Latin America and 30 per cent in Asia informally occupying land, often in high-risk areas".

exacerbated by the neglect of small and medium-sized cities and absence of planning and management capacities; (d) the absence of adequate, well-designed public space at all scales — national, regional, local and neighbourhood — needed to accommodate transport, water/sewerage infrastructure and community facilities — such as schools and health clinics — and to provide public parks for social congregation, recreation and livelihoods: (e) the neglect of available urban design solutions capable of achieving, at the same time, quality of life, social harmony, economic viability and minimizing environmental impact.

22. In most countries, urbanization trends are unsustainable. Land is being consumed at a far greater proportion per inhabitant than it should (UN-Habitat 2015c, fig. 1); emerging lifestyles cause an inordinate use of non-renewable resources; and this excessive consumption, far from creating better living conditions for all, only accentuates the inequities between the haves and the have-nots.

23. A key driver of these unsustainable trends is the form and configuration of current urbanization patterns, that is, the way urbanization occupies space. Metropolises, cities and towns expand for long distances in their rural hinterlands. Large portions of rural land are acquired, subdivided into lots and built upon, with the profits going to often unscrupulous entrepreneurs, with the onus of basic infrastructure, public transport and essential services falling on local governments. Detached individual dwellings have high energy needs, and the very low density of most new developments discourages public transport and determines the need for private transportation to access goods and services. Remoteness and poor public transport impact most seriously children, young people, women and the elderly. Many new developments take the form of the so-called "gated communities", enclaves secured by walls and barriers. These are examples of "deliberate segregation". In contrast, poorer inhabitants are pushed into poorly served developments even farther away from the city, or reduced to living in slums or other unauthorized informal settlements. This is a form of "forced segregation": the "gated community" mechanisms are reproduced, but as a stigma, rather than a sign of distinction and social status. From an economic point of view, sprawling urbanization determines even higher maintenance costs in infrastructure development and maintenance on one hand, and in transport and in physical connectivity on the other. The costs of traffic congestion alone are an enormous burden to rural, urban and national economies. Many subsistence farmers are literally swept away in this process, determining the twin negative consequence of new rural-urban migration and the loss of close and healthy sources of food for the city.

24. Similar challenges are found in urban renovation projects in the existing city, where well-planned and designed older neighbourhoods are often replaced by expensive and exclusive developments dwarfing the human scale and causing new segregation. These projects show how compactness and density, however desirable, do not guarantee in themselves the equitable and sustainable city urban dwellers aspire to.

25. Efforts at planning new urban space in a socially, economically and environmentally responsible way are often wasted by the impetus and power of this relentless urbanization model. Clearly, market-led urbanization patterns are not the safe way to secure a sustainable urban future. They have to be tempered and guided by robust public spatial strategies and plans indicating the most energy-efficient, environmentally friendly and socially responsible forms of accommodating growth into space.

B. Land: failure to use land policy as a tool to promote equality and secure resources

26. In third-world cities, typically two thirds of the population cannot afford housing supplied by the formal market, with private housing developers favouring higher-income groups. In these cities, about 90 per cent of the housing deficit is concentrated on families in the bottom seven deciles of income distribution. Fiscally poor local governments tend to concentrate public investments in infrastructure and services in selected areas attractive to business and a more highly qualified labour force in their quest to enhance their economic base. With affordable (lower-priced) land only available in areas where commuting costs are high (fringes), urban infrastructure and services are lacking; building is often risky (due to legal conditions or terrain conditions: steep, flooding, etc.); low-income settlements tend to be excluded from urbanization benefits. Thus, the typical structure of third-world cities with neighbourhoods second to none found their equivalents in the developed world, side by side with areas (the majority) lacking basic services, sewage, paved streets, health centres (if any) and the like.

27. In most cities in the world, the main institution/mechanism to allocate land is the land market. The process is simple: households and businesses with a higher capacity to pay for sites with the desired attributes (e.g. good-quality services, ambience, good access and safe and attractive neighbours) are in a better position to secure them. The process through which land is procured by different social groups tends to be self-reinforcing in that higher-income families favour the segregation of lower-income groups and are willing, and able, to pay more for property that guarantee them their desired "proper neighbours" but also the supporting urban infrastructure and services they demand. The resulting social exclusion is, prima facie, the result of a legitimate process that does not depend on deliberate market price distortion as such. Legitimate as it may be, from a market perspective, the outcome is that the apparent ability of land markets of being "neutral" in generating a fair and efficient allocation of land to all users is compromised. In effect, land market outcomes can also arise when land values are affected by public actions. This is the case of the public provision of urban infrastructure and services or zoning and other land-use regulations put in place to neutralize or control the effects of negative or positive externalities.

28. Moreover, since property taxes tend to be higher in higher-value areas and higher-income groups have greater influence on local politics, public investments in urban infrastructure and services tend to favour such areas. The result is that in many countries well-served and enjoyable neighbourhoods sit alongside other ones that lack the most basic services and infrastructures. These contrasts are reflected in dramatic differences in land prices but, more importantly, they revealed a structural incapacity of the market to ensure a sufficient supply of serviced land at affordable prices, particularly for those who are most in need.

29. In effect, serviced land in cities of the developing world tends to be relatively more expensive (often even in absolute terms) than in the cities of advanced countries.

30. To reduce the land-cost component, and adhere to the payment capacity of the users, social housing programmes thus tend to favour peripheral locations and projects that often result in large-scale dormitories characterized by relatively poor urban services.

31. Moreover, poorly planned and serviced urban-sprawl private developments often end up increasing the costs of urban infrastructure and services for the wider urban area of which they are part.

32. The alternative social housing "solution" of upgrading existing more centrally located informal settlements, in the form of curative regularization programmes, typically costs two to three times as much as the provision of new urban infrastructure and services on the edge of the city. While there are clear benefits from such programmes, a very real problem is that incoming families to such improved settlements may be relatively exploited by property owners, some of whom may be pre-existing, now-tenured occupants (doubling as landlords). This often leads to overcrowding in often unsuitable terrains (hill slopes, unstable soil, etc.), which in itself furthers the spatial separation of social groups and may aggravate environmental risks.

33. All of these considerations clearly emphasize the importance of well-thought-through spatial planning.

34. The challenge is to break the vicious circle of social exclusion that arises from the above-mentioned land and property market processes. Traditional public approaches consisting in the development of centrally located large tracks of land (through public acquisition, use of fiscal land, etc.) have often generated new ghettos with all their well-known negative consequences. Alternative programmes designed to occupy interstices of the city with social housing tend, in no time, to be "colonized" by higher-income neighbours. Attempts to control transactions to ensure the permanence of the original targeted low-income occupiers often fail.

35. The challenge, therefore, while preserving the institution of land market and associated land property rights, is to curb the power of landowners who normally seek to secure the land use that gives them the greatest return but also prevents the more socially inclusive use of land.

36. On the other hand, the public acquisition of land is facing increasing costs and publicly managed processes of land allocation may also be costly, prone to corruption and other forms of political manipulation. In addition, it is important to improve the finance capacity of the public sector to guide urban development, especially when it comes to the provision of urban infrastructure and services.

37. Finally, yet importantly, a coherent land-use spatial strategy should revisit the social costs and benefits of publicly promoting social housing in cheaper locations and ensure the best use of relatively scarce public funds. Key issues here are how best to subsidize the provision of social housing in more "inclusive" areas (perhaps with a higher per unit cost but with better quality), and assess the relative advantages of capturing higher land value increments from elitist developments.

C. Inequitable access to the benefits of urbanization

38. Urban spatial justice brings together social justice and space as well as the concepts of environmental justice and equity. These include concerns of environmental sustainability, and the spatial overlap between racial discrimination, the spatial patterns this produces, and the coupling of these spaces with industrial pollution, socioeconomic exclusion, and susceptibility to natural hazards.

39. Developed countries are the most urbanized and developing countries are following suit. Rapid urbanization is a challenge, but can also be seen as an enhancing opportunity, since the function of cities is mainly to provide diversity, choice and a concentration of opportunities for exchange and change resulting in different forms of human development. The benefits of planned urbanization include quality services of all kinds, diversity of income sources, affordable access to opportunities for human development, social interaction, leisure, participation in governance. Quality of life exists, and should be ensured, in non-urban (rural) areas, but the opportunity to develop is afforded more by the diversity and choice characteristic of city life.

40. When, however, cities provide higher income but often even higher costs of living; when they provide diverse services that are inaccessible; when housing projects lack the components that make them liveable; when prevalent modes of transportation are not affordable, or safe, and they pollute the air, then the ills outweigh the benefits. This is often the result of poorly managed cities, lacking in urban planning tools that govern their dynamics and transformation (for example in densities, land use, urban morphology) and in public control of the planning functions and the protection of the public good and collective interests, and long-term gains.

41. Another associated factor causing weak and poor urban planning and management is the privatization of urban development within and around the city. This manifests itself in many forms, from urban sprawl that causes the loss of agricultural land and ecosystems, or unplanned overcrowding of informal settlements, or urban demolition/forced evictions of other portions of the city.

42. Fragmented urban sprawl by different income groups substitutes integrative spatial planning; isolated mega projects for high-income groups take the form of gated communities and suburban developments; and unauthorized development by middle- and lower-income groups. Both private-led, peri-urban development patterns are unplanned; both are disconnected, lacking the "public" dimension in all urban components, and the integrative networks including public space connectivity that is necessary to unblock the potential of urbanization.

43. Formal GDP-led and carbon-based/car-oriented spatial planning aggravates the problem, denying the poor the right to benefit from the city, reinforcing social segregation and deterring the realization of the social mix that leads to economic prosperity and social tolerance. Such planning is resource depleting, wastefully using land, energy, time and money. For the poor, it becomes a burden that impoverishes them/exacerbates their poverty.[6]

44. Segregation of land-use planning is still enforced in many developing countries despite evidence that shows its contribution to increased travel time, energy consumption, air pollution, and social segregation in the case of insufficient and unaffordable connectivity (public means of transportation). Adopting "strategic planning" has not solved these problems because of limited spatial awareness that is detrimental and continues to lead to unsustainable spatial patterns.

45. The increasing gap between the overall wealth generated by cities and its redistribution affects the equitable sharing of the benefits of urbanization

[6] In Egypt, for example, the 22 new cities built since the 1970s only reached an occupancy of 25 per cent.

(UN-Habitat 2012). Disparity in distribution of public funds, technical and administrative support between urban and rural areas is a main cause of migration to cities with opportunities for a better life. In some countries, wealth generated by informal economies goes unrecognized and therefore not supported by financial or administrative mechanisms to help it grow (in Egypt, for example, informal activity accounts for 40 per cent of the national economy).

46. Social and spatial segregation is often associated with increased vulnerability/exposure to risk; because of locations exposed to environmental and natural hazards, scarcity of relief and emergency systems, and marginalization that can be easily manipulated by power-seeking groups and individuals to be used to instigate conflict and unrest.

47. Media and "trendsetters" glorify unsustainable lifestyles and urban forms emphasizing certain urban benefits, while stigmatizing much of the traditional practices, including "rural" lifestyles, that may be more sustainable socially, economically and environmentally.

48. Public space is the urban element that is most inclusive, yet there is low awareness of the benefits of public space-driven development among stakeholders, both policymakers and the general users/population at large. The problem is that the consumers (those who buy or rent in formal and informal developments) of today do not demand any quality public space from the land developers. The challenge here is the low level, on the demand side, of public space, in terms of its quantity, quality, and diverse functions that is accepted as an integral component of adequate living conditions.

49. In some countries, where laws and regulation are kept vague to encourage informality and decrease accountability, the informality financially benefits governments as it saves their provision of public space, services, transportation and infrastructure on the one hand, and ensures a regular source of revenue whether channelled formally through "fines" or informally though corruption (hassling and bribes) (AUC — School of Global Affairs and Public Policy and UND 2013).

50. Conventional urban planning is blind to "place identity", i.e. the social, cultural, and psychological value of urban form and public spaces; there is low sensitivity to diversity in lifestyle which is the characteristic that distinguishes across the rural-urban continuum irrespective of size. Moreover, cities are also a depository of cultural heritage that reinforces national identity. The global economic model struggles to take such considerations into account.

D. Poor coordination among different levels of plans and policies and among sectors

51. Usually there is no shortage of plans and programmes related to the development of cities and city regions. However, there are a lot of problems and challenges (UN-Habitat 2009). In many countries these plans and programmes lack a coherent and consistent institutional, i.e. legal and organizational, framework. Coordination between sectoral plans is weak; vertical and horizontal integration of spatial plans is a challenge which is often not taken up successfully. Therefore, there is a lot of fragmentation and overlap, as well as a poor alignment of goals which is especially aggravated if overall urban strategies are missing. The legal base is

sometimes weak or even outdated which severely affects the implementability and implementation of plans and programmes. Often, there is no relation to finance and financial mechanisms which results in plans and programmes being more useful for symbolic policies and populism than for strategically guiding the development of cities and city regions in a consistent way. Overcentralization of the urban planning system is another problem for establishing well-functioning and locally fitting plans and programmes. Often, local competencies for urban planning are limited, or sufficiently qualified local capacities for urban planning are lacking. Effective spatial and territorial management requires that the roles, rights and responsibilities with regard to plans and policies are properly allocated. In many cases all over world, the distribution and coordination is poor or even absent, vertically i.e. among the central, regional and local governments, and/or horizontally within the ranges of agencies responsible for various aspects of urban management such as housing, transportation and the environment. Many places also lack sufficient numbers of trained professionals to take up the task.[7] Primary among the gaps is the absence of the national policy, legislative and administrative structures to frame urban development.[8]

52. The traditional top-down hierarchical structure of governmental spatial planning systems is increasingly inefficient vis-à-vis the needs for participatory governance, with collaboration of particular tiers and branches/sectors of public agencies as well as networking with and inclusion of NGOs, businesses and civic society, with appropriate sharing of the powers and responsibilities.

53. Spatial planning practice suffers from fragmentation of planning tools, oversimplification of policies, poor alignment of goals and plans, lack of national policies supporting urban planning, mismatching between public financing and plans, and low capacity of local governments for accessing resources. Without strong national spatial policy and in the absence of tools and resources for its implementation locally, local planning especially is exposed to and driven by the economic power of big, often multinational companies, which often thrust forward their interests without regard for environmental and societal impacts, and which require the public hand to bear the induced costs of infrastructures and compensation measures.

54. In sum, the challenges are: fragmentation of planning tools, oversimplification of policies, poor alignment of goals and plans, lack of national policies supporting urban planning, mismatch between public financing and plans, and low capacity of local governments for accessing resources.

55. Not only is the proper allocation of roles, rights and responsibilities for plans and policies absent vertically and horizontally, but many places also lack sufficient numbers of trained professionals to take up the task. Primary among the gaps is the

[7] See issue paper 8, p. 2. "The discipline of urban and spatial planning is underrepresented in many developing areas, with 0.97 accredited planners per 100,000 people in some African countries and 0.23 in India. This is compared to 37.63 in the United Kingdom of Great Britain and Norther Ireland and 12.77 in the United States of America".

[8] See issue paper 8, p. 2. "The discipline of urban and spatial planning is underrepresented in many developing areas, with 0.97 accredited planners per 100,000 people in some African countries and 0.23 in India. This is compared to 37.63 in the United Kingdom and 12.77 in the United States".

absence of a national policy and legislative and administrative structures to frame urban development.[9]

E. Inadequate and uneven provision and distribution of good green and public space

56. Public spaces are defined as "all places publicly owned or of public use, accessible and enjoyable by all for free and without a profit motive" (Garau et al. 2015; United Nations Human Settlements Programme (UN-Habitat) 2015). Public space has been receiving increasing attention in recent years. Good design and good practices of public space are promoted on a regular basis by regular international events, such as the Barcelona-based European Prize on Urban Public Space and the Rome Biennial of Public Space. Important international public space events and actions have also taken place recently in many cities, including Buenos Aires and Stockholm (Future of Places Conferences), Berlin, Bologna, Porto Alegre and Bogotá. Municipalities have offices and departments dedicated to pubic space development, improvement and maintenance. Urban green and public spaces play a special role here as they provide a number of services for urban dwellers and for nature. Moreover, they are crucial for diminishing urban heat islands and their negative impact on the population. And one of the targets of Sustainable Development Goal 11 reads: "by 2030, provide universal access to safe, inclusive and accessible, green and public spaces, particularly for women and children, older persons and persons with disabilities".

57. Despite these developments, and the broadly shared realization that green and public spaces are key to healthy urban environments, provide precious ecosystem services for the urban population, recreation facilities and retention areas in case of flooding and storm water events, the universal provision of public space advocated in Goal 11 faces a number of important challenges:

(a) Insufficient public space (streets, open public spaces and public facilities) as well as green spaces especially in lower-income suburbs and informal settlements. This is a reflection of the huge inequalities in most cities of the developing world, where inadequate housing should be alleviated by a generous provisions of good quality public space;

(b) Weak legal frameworks coupled with poor policy and weak political will resulting in grabbing of public land, the capture of benefit by private actors and over the use of public space;

(c) Urban public places becoming highly commercialized, thus exacerbating social inequalities;

(d) Increasing polarization and social segregation caused by the privatization of public space as a non-accessible asset of exclusive developments, such as gated communities;

(e) A sense of perceived or real insecurity caused by poorly maintained and badly lit green and public spaces in rundown areas and informal settlements;

[9]

(f) Frequent neglect of the special needs for green and public space on the part of the poor are often ignored by governments;

(g) Competing claims on public space on the part of a wide variety of urban users, including street vendors, co.. mercial establishments, pedestrians and cars;

(h) The absence of an agreed system of tools or indicators for assessing the supply, quality and distribution of public space;

(i) The lack of appreciation of the irreplaceable contribution of public spaces to sustainable urbanization, including mobility, health, enjoyment, and a collective sense of citizenship.

58. In countries with fast population growth and rapid urbanization, the pursuit of this target is made more difficult by the mutually reinforcing adverse combination of rapid population growth, a relevant percentage of whom of limited financial means, on one hand, and of scarce municipal resources, weak land-use control mechanisms and inadequate governance and technical capacity on the other. In "shrinking" cities there are many opportunities to transform built-up areas into green and public spaces. However, in many cases this is restrained by the adverse expectations of landowners, prohibitive land prices, and high maintenance costs of green areas.

59. In both cases, there are remarkable challenges to urban spatial strategies and planning. In consolidated areas, adequate public spaces must be carved out within the existing built fabric. In expansion areas, planning must secure the availability of adequate public spaces particularly for lower-income residents. In shrinking areas, institutional arrangements between public authorities and private landowners are necessary in order to establish intermediate or permanent green spaces, which allow public use.

F. Incoherent and disassembled knowledge about balanced territorial development and urban spatial strategies

60. While Member States have arrived at a global consensus for a key element of urban spatial strategies in the *International Guidelines for Urban and Territorial Planning* and they acknowledge that these guidelines "are a useful resource that can act as a compass for improving global policies, plans and designs" and "a source for inspiration," (p. 7), they readily assert the necessity of adapting them to local contexts. This process requires not only sensitivity to local cultures but also an evaluation of the critical success or failure factors in current work.[10] Further, issue paper 8 and others note that gaps in knowledge exist, especially in understanding "emerging, complex urban dynamics", (p. 6), in informing public decision makers of the "role and value of urban planning" (p. 6), and in the contents of university curricula (p. 6). In the *International Guidelines on Urban and Territorial Planning: Towards a Compendium of Inspiring Practices*, a volume published simultaneously with the Guidelines, the authors cite the need for more knowledge about local applications, offer brief profiles of 26 cases and call for a "global network of knowledge- and experience sharing. Such a platform would enable decision makers to make more informed decisions on their own development challenges".[11]

[10] See issue paper xx.

[11] UN-Habitat, Nairobi, 2015, p. 6.

III. Prioritizing policy options: transformative actions for the New Urban Agenda

A. Design and manage sustainably the form and configuration of cities and territories

61. Appropriate urban design must be a constant companion of sound urban planning in creating the sustainable city. This is the case for new developments as well as interventions in the existing city; in rapidly growing contexts as well as in declining urban areas; and in megalopolises as well as in small towns and peri-urban settlements.

62. Priorities in pursuing these objectives are the following:

(a) At the urban level: define what "New Urban Agenda design" is. New Urban Agenda design is a spatial development model capable of achieving quality of life, social harmony, and economic viability and, at the same time, minimizing environmental impact. The "New", of course, refers to "Agenda", and not to "design". The urban design criteria refer in fact to many enormously successful neighbourhoods from the past. Critical recommendations to this regard are:

(i) Letting public space define buildings, and not the other way around. An appropriate layout of streets and other open spaces is indispensable for creating enjoyable and functional urban living environments. Such a layout, like public space, must allow full internal movement and accessibility. In this sense, and unlike enclosed residential communities, "New Urban Agenda neighbourhoods" are, first of all, public space;

(ii) Designing public space grids capable of guaranteeing optimal proportions between open space and built space. It is especially important to provide spacious sidewalks and opportunities for mobility alternatives to motorized transport. Separation between surface public and private transport, whenever feasible, should be encouraged;

(iii) Guaranteeing compactness and density in view of their key importance for economizing on land, justifying efficient public transport, ensuring economic vibrancy, enhancing safety and security, favouring social interaction and the appreciation of diversity, attracting high-quality urban services, and cross-subsidizing affordable housing;

(iv) Enhancing "street life" by allowing for the maximum possible commercial use of street-level floors so as to offer viable alternatives to automobile-driven shopping; offering spaces for neighbourhood services such as kindergartens, arts and craft studios, small entrepreneurship, artisan activities;

(v) Envisaging the maximum feasible functional mix (housing, offices, and businesses) in order to guarantee round-the-clock public activity;

(vi) Envisaging procedures for the future maintenance and management of public spaces as an integral part of the design process;

(vii) Applying the same principles to the existing urban fabric, both by preserving existing neighbourhoods that respond to these criteria and by using the same criteria as guidelines for the sustainable renovation of derelict districts and areas, such as abandoned factories/industrial areas, large empty

parcels of land, and in general uninhabited portions of the city that have lost their original use and function;

(b) At the territorial level: the same criteria can apply, keeping in mind obvious differences in scale between larger and smaller urban settlements. At the territorial level, the "New Agenda Urban design" paradigm implies a total reversal of the sprawl/diffused development model. It envisages wide tracts and corridors of open spaces safeguarded from development and an efficient system of transport connecting larger and smaller compact settlements. The setting of clear national, regional and local targets and measures on how to reduce land consumption for newly built-up areas, such as new urban neighbourhoods, suburban or exurban settlements and road infrastructure, is an important strategic step towards more sustainable urbanization.

B. Land as a tool to promote equality and secure resources

63. Intervene to prevent land market failures and excessive privatization of land, ensure an adequate market and public supply of affordable land for housing, encourage mixed-income development to offset segregation, secure land tenure in informal settlements, introduce efficient legal and technical systems to capture part of the land value increment accruing from public investment.

64. One of the most serious effects of land market failures, when there is no good planning and management of land and space, is social segregation. It requires integrated planning tools to correct land markets failures through taxation and land regulations to ensure the most vulnerable sectors access to urban land without depending entirely on its per capita income, which tends to reproduce territorially inequalities of income between socioeconomic groups.

65. To meet the challenges posed above, best practice land strategies should focus on capturing the windfalls that arise from administrative acts (such as the right to build over and above a certain level (floor area ratio) or land-use changes from rural to urban or even from residential to commercial). When previous, or concomitant, public investments in urban infrastructure and services funded by the community at large (through taxes) support these land-use changes, a case can be made for the public to recover, in part or in full, these windfalls to defray the costs of such investments.

66. In addition, the public sharing of these windfalls facilitates the promotion of more socially inclusive land-use norms and regulations when designing and implementing master plans. Those responsible for ensuring more inclusive cities need to revisit existing legislation on the association of development rights to private property rights.[12]

[12] The Municipality of Sao Paulo, for instance, reduced basic floor area ratio (FARs) for the city as a whole to one keeping the maximum FAR in different areas according to existing infrastructures and other supporting conditions in much higher values. The difference from the maximum FAR in a certain zone and the basic FAR (=1) is now the subject of a charge according to the land value increment associated to it. This process of change in the FARs and respective rights took over 12 years with insignificant legal appeals by affected interests. More, well-defined large-scale polygons of redevelopment use an instrument called CEPACs to auction, electronically through the stock market, the additional building rights entailed in such projects. Over $2.5 billion have been paid by developers in the form of these certificates issued by the municipality over the last 10 years in two so-called Urban Operations. Part of the proceeds was used to redevelop on site a slum (Jardim Edith) in one of the most valued areas of the city.

67. There is therefore a need to better inform urban planners on the market value and fiscal impact of their decisions. They need to recognize the significant opportunities that are available to generate additional and substantive revenues. Any policy preserving the market as a land allocation institution alongside private property rights has to recognize the importance of promoting sustainable social housing inclusion by curbing landowner's expectations on windfalls. Secondly, resources thus generated should be used to increase the ability of lower-income groups to participate in financial schemes that lower the primary costs of land for new housing developments. Inner-city more inclusive housing for low-income groups should also contemplate forms of tenure other than owner occupation. When subsidies are unavoidable to address the challenges of inclusionary housing, its provision should be facilitated in ways that do not retro-feed into higher land values accruing to landowners. In addition, resources from land-based financial policies and tools (value capture, etc.) should be used (and earmarked) to promote more socially mixed developments rather than fully fledged "Robin Hood schemes" that ultimately exacerbate intra-urban differences affecting land prices and thus reinforcing social exclusion.

C. Guarantee equitable access to the benefits of urbanization

68. In order to meet the challenge described previously regarding this topic, the following policy priorities are recommended:

(a) Raise awareness in all stakeholders from different levels of society of the benefits of abiding by just and equitable planning that assures fair distribution of benefits of urbanization; acknowledge that urban planning is a key integrative tool across different sectors enabling better use of resources, reduction of costs and promotion of equality. Accountability mechanisms for both providers and beneficiaries have to be established and practiced for this to happen;[13]

(b) Establish legal frameworks and procedures to redirect part of the wealth generated by cities towards the design and implementation of urban spatial strategies aimed at social and spatial integration;

(c) Establish frameworks, processes and working plans based on the alignment of goals with local values and norms that are still applied and, in many cases, have more strength than written laws that are often alien, usually fragmented and derived from different eras. This necessitates good research and knowledge base, awareness-raising, transparency, and channels of public dialogue;

(d) Redirect urban growth trends and decrease segregation in cities through spatial choices and decisions, supported by legal and financial tools in steering cities towards more compact, integrated, connected and inclusive urban patterns;

(e) Stress the role of the public hand in planning to ensure sustainable and inclusive planning;

(f) Reform urban planning education and practice; from approaches that reinforce urban segregation towards planning that enhances social inclusion, based on an adequate understanding of contemporary dynamics (including informal-formal interlinkages), human settlement transformation processes (such as rural to

[13] Accountability mechanisms have to be designed in proportion to the population size, so that in densely populated cities, representation has to be large-based — see recommendation number x.

urban transitions, densification, and shrinking cities) and new challenges to promote inclusiveness and gender-responsive land policies;

(g) Acknowledge, regulate, and support private sector efforts that overcome social and spatial segregation, and are not fully recognized legally, especially in the provision of housing, services, transportation, urban management and economic development; all benefits of urbanization. This recommendation should be coupled with longer-term reform of legal, administrative and financial frameworks and policies to avoid future informality;

(h) Create a demand for more sustainable non-segregated urban form and public space, which includes self-help solutions, better connectivity, public space-driven development, and social mix;

(i) Recognize the millions of small and medium-sized investors in the urban development/transformation of cities and their territories (mostly lower- and middle-income groups in developing countries) and supportive an inclusive legal, administrative, and financial framework;

(j) Destigmatize lower-income groups and the working poor and recognize that their social capital and collective economic impact can decrease social and spatial segregation tendencies on the part of upper-income groups. This priority can be addressed most effectively by involving the media and educational institutions;

(k) Capitalize on cultural heritage not only for its economic value, but also to sustain social and psychological benefits such as self-confidence, civic pride and identity;

(l) Contribute to a decrease of rural-urban migration and transformation by revitalizing agro-based economies and providing quality services inclusive of, but not restricted to, safe and affordable water and sanitation, and quality health, educational and administrative services.

D. Coordinate among different levels of plans and policies and between sectors

69. In section I of this policy paper three critical conditions are mentioned which underline the critical importance of making the design and management of the form and configuration of cities and territories the top priority of this paper. Further, the aim of this prioritization is to employ the *International Guidelines on Urban and Territorial Planning* as a framework for improving global policies, plans, designs and implementation processes, which will lead to more compact, socially inclusive, better-integrated and connected cities and territories that foster sustainable urban development, are resilient to climate change and can result in the lessening of energy use and greenhouse gas production.[14]

70. *Planning tools should be harmonized between themselves and in connection to the more general aims of urban spatial strategies. Also, plans should be immediately linked to their implementation, including financial resources, enactment of national legislation supporting local strategies and planning, development of rationales highlighting the virtuous connections between sound*

[14] This language is drawn directly from the *Guidelines for Urban and Territorial Planning*, p. 7.

spatial strategies and the potential for sustainable resource mobilization. Included in this work are the following targets:

(a) A set of plans focusing on the area of responsibility of the respective sphere of government;

(i) National urban policy or plan: promotes sustainable development patterns nationwide with a balanced system of cities and territories;

(ii) City-region or metropolitan plan, including corridor plans: promote regional infrastructure to promote economic productivity and enhance urban-rural linkages;

(iii) City-municipal-level plan: development plans that prioritize investment decisions and encourage synergies and interactions between and among separate urban areas. Includes: plans for land use, urban extension and infill, upgrading and retrofitting, and public space systems;

(iv) Neighbourhood plans: street development and public space plans and layouts to improve liveability (e.g. safety), social cohesion and inclusion, and the protection of local resources;

(b) The enabling legal and administrative framework that allows for the crafting and implementation of the plans with meaningful stakeholder participation and partnerships;

(c) Mechanisms for finance;

(d) Mechanisms for monitoring plans and feedback loops to refine or adjust plans.

71. As indicated in the *International Guidelines on Urban and Territorial Planning, Towards a Compendium of Inspiring Practices* (UN-Habitat 2015a) and *The Evolution of National Urban Policies* (UN-Habitat 2015b), examples exist.

72. However, effective planning at all levels and across sectors is dependent on the spheres of government and stakeholders having sufficient, timely data and the capacity to employ it. As also mentioned in the recommendations for monitoring, such geospatial technologies as the Global Human Settlement Layer now being completed by the European Union Joint Research Centre show great promise in supplying the needed information. Further, national policies that recognize and support planning in small and medium-sized cities expected to experience the bulk of urban growth in Asia and Africa is a special priority.

E. Ensure an adequate and well-distributed provision and management of good green and public space

73. Organize broad surveys to identify critical situations and gaps in public space provision and management, with special emphasis on informal, peripheral and high-crime areas as a key input to equitable urban spatial strategies. Ensure protection of both existing and potential public spaces against predatory land development and land-use practices.

74. In order to meet the challenges mentioned in the previous section, the following policy options are recommended:

(a) Establish targets linked to specific indicators. A set of indicators contained in the UN-Habitat "Global Public Space Toolkit" (UN-Habitat 2015), aims at determining the supply and quality of public space, broken down in its many components, in different areas of the city. In addition, UN-Habitat is proposing a set of targets for the amount of land allocated to streets and public space in urban areas to ensure adequate foundation for the city. The proposed goal/target for public space being suggested is that 45 per cent[15] of land should be allocated to streets and public space. This can be broken down into 30 per cent for streets and sidewalks and 15 per cent for open spaces, green spaces and public facilities;[16]

(b) Citywide green and public space strategies need to focus not only on places and spaces but on the form, function and connectivity of the city as a whole. A holistic view of the city and its green and public space network is fundamental to maximize the potential of the existing infrastructure. Concepts of embedding compact city neighbourhoods into a network of green and public spaces as in the case of Dresden, may provide better access to open spaces and raise the thermal comfort of cities;

(c) Legislation for providing green and public space — laws and regulations need to be reviewed, to establish enabling systems to create, revitalize, manage, maintain and protect green and public space; local land-use concepts giving special attention to green and public spaces may be instrumental here;

(d) Anchoring green and public space in national urban policies — providing an overarching coordinating framework to provide the needed direction and course of action to support cities and towns in providing universal access to safe, inclusive and accessible green and public spaces;

(e) Securing green and public space in planned city extensions, city infills and slum upgrading — as cities expand, the necessary land for streets and public spaces as well as public infrastructure networks must be secured. Instruments to enable the creation of public space from privately owned land are of critical importance;

(f) Planning green and public space as a system — local authorities should be able to design the network of green and public spaces as part of their development plans. Ensure that urban plans contain sufficient guidance for the creation, layout and design of green and public spaces. Local green space strategies should be embedded into and linked with city regional landscape strategies in order to provide appropriate connections between open spaces in the city and in their surrounding region as part of urban rural relations;

(g) Using green and public space to lead development strategies — public space can lead urban development by ensuring that building will only be permitted if green and public space has been organized prior to development;

(h) Participation — public space as a common good is the key enabler for the fulfilment of human rights, empowering women and providing opportunities for youth. Improving access to and participation for the most vulnerable is a powerful tool to improve equity, promote inclusion and combat discrimination in public space;

[15] Defined by those achieving a minimum density of 150 inhabitants per hectare, the minimum threshold for a viable public transport system.

[16] Ibid.

(i) Leveraging green and public space as resource multiplier — land value-sharing tools should be widely adopted and promoted for municipalities to capture private values generated by better green and public spaces to sustain investment in public space. Green and public spaces generate substantial economic value. There is evidence that well-planned, well-managed green and public spaces have positive impact on the price of nearby residential properties as well as increasing business turnover. Land value sharing requires specific instruments such as valuation, taxation or land readjustment. There is a need to adopt redistributive policies to redirect municipal resources generated by gentrification to improve the supply, quantity and distribution of public space in less fortunate neighbourhoods;

(j) Investing in green and public space needs to be harnessed as a driver for economic and social development, taking into consideration urban-rural linkages.

F. Create a mechanism to support the creation of policy based on knowledge, expertise and experience of multiple stakeholders

75. Organize a knowledge platform, a panel on sustainable urbanization, built on the legacy of the Habitat III issue papers and policy units process that provides an interactive meta-platform for the open sharing of knowledge, expertise and experience. As in the Habitat III process, its members would be nominated by Member States and civil society.

76. This proposal aims to stimulate a new paradigm of knowledge creation and sharing, one that consolidates, assesses and puts forth the current and future quantitative and qualitative research on sustainable urban development drawn from the science, social science and design disciplines. Like similar platforms that have addressed complex global issues such as climate change or biodiversity, the envisioned paradigm would foster systematic, multidisciplinary cooperative research. It would consolidate links to existing knowledge platforms of relevance to the New Urban Agenda. It would evaluate and generate policy relevant but not policy prescriptive research. It would:

(a) Address key topics yet drill down to specific applications to explore how contextual factors affect universal principles and serve as drivers of positive change in the pursuit of sustainable urban development; among the topics to be explored are the form and configuration of cities and territories as contributory to economic prosperity/balanced territorial development, inclusion and equality and resilience and sustainability, the functioning and management of land markets; factors that contribute to urban liveability, models of effective governance and finance for sustainable development;

(b) Engage in fruitful investigatory partnerships between researchers and practitioners in order to allow theory to inform practice and practice to inform theory;

(c) Communicate the results systematically and effectively at regular intervals in order support the aims of the New Urban Agenda to inspire and drive transformative changes in countries and their cities.

IV. Key actors for actions: enabling institutions

77. Among the actors with specific roles to play in the implementation of this paper's policy priorities are: local governments; supra-local — regional and national

governments; supranational governance organizations (e.g. European Union); investors (entrepreneurs, banks and other financial institutions); real estate operators and developers; educational institutions; cultural institutions and associations; professional organizations; media; civil society/communities — community-based organizations and community-based actors; service providers (enterprises that provide basic services — water, sewerage, electricity, transportation, etc.), NGOs, community-based organizations, local policymakers, politicians, parliamentarians; special intergovernmental agencies, international agencies.

78. Most of these categories have come together over the past three years in 26 "Urban thinkers campuses" organized by UN-Habitat in cooperation with local hosts and aimed at forging collaborative thinking on specific themes. Their report will be a welcome contribution to the spirit of collaboration and joint commitment that should characterize the New Urban Agenda's implementation process. Of course, the success of this goal will depend to a large extent on the degree of ownership actors will be able to claim on the elaboration of the New Urban Agenda itself. In this respect, the fact that accredited partners have had the opportunity to express their views on the preliminary drafts of Habitat III policy papers is a welcome development.

79. This Policy Unit recognizes that all components of society have to be informed and have a proactive part in the implementation of the New Urban Agenda. In addition to that, some key actors can be identified and have to take a leading role in this process.

80. Local governments are determinant actors in the development and implementation of policies, plans and programmes that shape directly urban form, design quality, and land use, among others. Local governments also have a main role in developing and managing relations among other stakeholders (politicians, community-based organizations, real estate developers, investors, entrepreneurs, banks and other financial institutions, service providers, NGOs), and should do it fairly and in the common interest. Capacity is key in this respect, as only well-trained, informed and independent public servants can secure partnership agreements that will not damage the community in favour of specific interests.

81. All actors have different negotiation capacities and responsibilities; in other words, and perhaps paradoxically, inequalities can be reinforced when actors with less power and influence sit around a negotiating table without a clear sense of the stakes involved.

82. Consequences of decisions taken at the local level reverberate beyond the level and the timespan they are directly concerned with. All actors should be fully aware of the long-term and wide-ranging consequences of their land and urban transformations. These decisions, no matter how limited and localized they may seem, have profound urban, territorial, national and global impact. We must remember that global environmental phenomena are the result of an innumerable amount of local and apparently unrelated decisions on the use and organization of space.

83. In the ultimate analysis, planning can be used as a relevant tool to promote stakeholders and civil society engagement and to raise awareness and environmental education as key elements for efficient mitigation and adaptation measures as well as environmentally oriented sustainable development strategies.

84. Compared to sectoral policies, urban and territorial transformations are virtually irreversible. Their physical configuration cannot be easily modified, without

substantial resources and over considerable spans of time. In addition to that, all these activities have directly influence greenhouse gas emissions, address the impacts of climate change, and provoke or attenuate adverse environmental impacts.

85. National Governments have a vital role in promoting integrated national spatial strategies and plans, which include issues of climate change mitigation and adaptation, resilience towards shocks, e.g. disasters, and solutions to diminish adverse environmental impacts of human activities, but also a fair distribution of economic and natural resources. National Governments should also organize national frameworks and legislation to promote decentralized policies supporting climate change mitigation, energy transition and resilience accompanied by adequate resources.

86. Real estate developers and investors have to be aware of the consequences of the urban models they contribute to create, but also of the economic advantages of proposing projects based on sensible and appropriate design that reconcile environmental consideration with urban liveability. Common work with national governments, local governments, specialized institutions and civil society representatives on the formulation of urban sustainable urban design guidelines should be welcomed.

87. Media, academia, research institutions, professional associations and civil society have the main responsibilities in creating a consensus on importance of urban strategies in improve quality of city life, but also on their consequences on rural areas. Many efforts have been done in this direction, by the international community to support global initiatives and promote networking among international coalitions and groups.

88. In particular, international agencies and special intergovernmental organization have been promoting initiatives to build consensus on the urban Sustainable Development Goals and the New Urban Agenda. More efforts have to be done to support of new partnership platforms that have emerged in the past three years, notably the Global Task Force of Local and Regional Governments on the Post 2015 Agenda and Habitat III (2013) and the General Assembly of Partners towards Habitat III (2015).

89. The Global Task Force, composed of such local government coalitions as UCLG, ICLEI, C40 and relevant experts, can be expected to contribute to and support the work of the New Urban Agenda putting forth unified positions and commitments for subnational governments with an emphasis on decentralization and the localization of urban spatial policies.

90. The General Assembly of Partners (GAP), a special initiative of the UN-Habitat World Urban Campaign, is a coalition of 14 partner groups including the nine major groups, the Habitat Agenda partners and others with expertise and interest in urbanization. Recognized by the General Assembly as an official civic engagement platform for Habitat III, GAP, like the Global Task Force, is maturing into a cohesive coalition whose members, together or in their individual capacity, can contribute significantly to the New Urban Agenda.

V. Policy design, implementation and monitoring

A. Implementing the sustainable design and management of the form and configuration of cities and territories

1. Means of implementation and financing options

91. The successful application of the New Urban Agenda Design model introduced in section III of this paper depends much more on its conceptual and political acceptance than on the mobilization of massive additional resources.

92. The reason for this is that the overwhelming proportion of spatial interventions in cities and territories are the product of either formal entrepreneurship or of informal initiatives — both in urban expansion processes and in filling-in, regeneration and redevelopment interventions within the existing city.

93. Therefore, the issue is that of activating a virtuous cycle to show that sustainable approaches to urban design and development are attractive, implementable and financially rewarding.

94. In this endeavour, the involvement of all actors both from government institutions and from civil society will be crucial.

95. At the national level, growing concerns over reducing CO2 emissions will conceivably determine more stringent legislation. While the greatest emphasis has been placed so far on clean energy and eco-friendly architecture, the success of the advocated new urban design model will be greatly enhanced by the realization that the form and configuration of neighbourhoods and settlements has an enormous impact on the environment. As a result, governments may be inclined to penalize unsustainable urbanization and offer incentives for sustainable planning and design. This can be done also through appropriate national urban strategies favouring the cluster approach for "compact territories" suggested earlier as a sustainable alternative to uncontrolled sprawl.

96. This also applies to new informal development. A report[17] commissioned by the United Nations Secretary-General on the implementation of the Millennium Development Goal "improving the lives of slum dwellers" target, and drawn by a task force including the World Bank, the Cities Alliance and representatives from academia and civil society, including the association known as Slum Dwellers International, while advocating upgrading and the granting of an appropriate form of tenure in slums not subsisting in perilous situations, concluded that the construction of adequate housing through assisted self-help in newly planned areas was far less expensive than retrofitting (Garau et al. 2005). Therefore, proactive and planned solutions for affordable housing can indeed save enormous sums of money, by avoiding expensive remedies at a later stage and capitalizing on the resources of the beneficiaries — in a climate of complete legality.

2. Monitoring mechanisms

97. A wide variety of actors can help effect this radical change of perspective. The New Agenda itself can, of course, become the vehicle of this vision. But at the

[17] "A Home in the City" United Nations Millennium Project (http://www.unmillenniumproject.org/reports/tf_slum.htm).

implementation level this vision will have to be supported by all international organizations involved in the 2030 Agenda, national governments, local governments. A special role will have to be performed by national-level professional associations, academic, research, and cultural institutions focusing on urban and territorial development issues.

98. One way to mobilize this involvement can be the creation of a "global library of sustainable urban design", where good practices and solutions can be collected, stored, disseminated and discussed, and act as a catalyst for action.

99. An interesting trend is also the involvement of financing institutions in promoting sustainable urbanization approaches. One such example is offered by the "Guidelines for Green and Smart Urban Development" produced by the China Development Bank Capital[18] (China Development Bank Capital's 2015).

B. Address land market failures to promote equality and ensure access to the benefits of urbanization

100. Market-aware policies to promote inclusiveness require that planners consider how increases in land values resulting from the actions of the public sector can be used to secure social objectives rather than simply being appropriated as windfall gains well-positioned landowners. Planners require a range of management skills to deal with many complex factors and understand the needs of a diverse range of stakeholders. Comprehensive land and property market monitoring systems must also be put in place together a fluid dialogue among fiscal, planning and judicial entities, and the political resolve of local government leaders and planners. Land value increments are also captured more successfully when developers and other stakeholders understand that the benefits accrued from value capture policies can provide benefits to all parties involved and are an improvement over business as usual.

101. More specifically, concrete guidelines should inform land-use strategies aimed at promoting social inclusion through the use of land-financing tools. These include:

(a) Ensuring that the adoption of new tools is sensitive to real estate market conditions;

(b) Recognizing that trial and error is part of the process of refining and institutionalizing any policy tool, and that there is no "one size fits all" solution;

(c) Prioritizing the public control of building rights and land uses rather than public ownership of land as elements of a land-based financing tools strategy;

(d) Maintaining updated cadastres, valuation maps and land and housing price records to generate the data needed to assess changes in land values;

(e) Ensuring administrative continuity in the implementation of such policies over time, especially for large-scale projects;

(f) Encouraging direct negotiations between public officials and private sector developers likely to benefit from specific public actions;

(g) Generating a willingness to pay when benefits accrue directly to beneficiaries of a specific public intervention;

[18] http://energyinnovation.org/greensmart/.

(h) Creating win-win situations whereby public interventions can stimulate further market/private sector investments.

102. Countries and jurisdictions that have been able to innovate and expand upon land based financing tools for revenue generation tend to enshrine within constitutional documents and legal codes the separation of building rights from land ownership rights. This helps reduce resistance from landowners to socially inclusive uses, while at the same time generating much-needed revenues to fund such projects. Other tools to consider include:

(a) Special zoning of social interests as currently widely implemented in Brazilian cities whereby existing informal settlements in special higher-income areas are protected from gentrification and other forms of colonization by high-income-oriented developers through the adoption of plot size restrictions, set-backs, etc. that are sensitive to the needs of lower-income groups. This instrument is also used in new areas that will be occupied by lower-income groups to protect them from "higher" uses and reduce the costs of land by increasing density;

(b) Declaration of Priority Development as currently in use in Colombia whereby the existence of vacant land in higher-income areas is signalled, with a deadline for development. Non-compliance enables the public to auction the land with the added benefit that the bid winner must use the land for social housing. This allows the land to be bought at a price consistent to its use for social housing;

C. Guarantee equitable access to the benefits of urbanization

(a) Push for the revision of the global economic model underlying value system to restore non-monetary principles of social justice, "public good", psychological and cultural values into the equation;

(b) Safeguard existing urban forms that show case the "culture" of the sustainable city, such as compactness, mixed use, social mix, connectivity, safe and accessible public space;

(c) Establish legal-financial frameworks and administrative procedures to redirect part of the wealth generated by cities to the provision and fair distribution of quality public space, as well as mechanisms to safeguard public space in newly planned expansions;

(d) Establish legal-financial frameworks and administrative procedures to allow public-private partnerships with local financial autonomy with in-kind collective participation of end users in local development projects;

(e) Minimize demand for travel by planning and designing a well-connected network of mixed-use arteries and a density-based fair distribution of diverse services across cities and their territories;

(f) Plan and provide integrated networks of multimodal means of mobility to ensure affordable and safe access to all users including women, children, the elderly and people with disabilities;

(g) Deliver secure tenure of land and buildings to decrease the vulnerability of upgraded informal areas that still suffer the threat of demolition and eviction

when land value increases despite their partial legalization and acknowledgement by administrative mechanisms;[19]

(h) Socio-spatial differentiation in urban design and planning should reflect the culture of the inhabitants, and not their income level, while guaranteeing the same quality of services;

(i) Emphasize the role of urban design as a way to provide spatial quality and to afford social integration;

(j) Spatial justice in the provision of public space and connectivity to boost productivity in underprivileged areas;

(k) Continuous production of accurate knowledge is not only essential for monitoring purposes but essential to share knowledge and raise awareness among the public about development benefits and new challenges;

(l) Participatory planning mechanisms in densely populated metropolises should utilize innovative methods of representation proportionate to the population;

(m) Affordable, accessible connectivity between cities and their territories to enable residents of the rural-urban continuum to enjoy of complementary features of more and less dense settlements;

(n) Adopt safeguarding measures to protect natural or man-made landscape and the right to all to enjoy it;

(o) Introduce practices such as community gardening and urban agriculture where applicable and in line with local lifestyle.

D. Ensure an adequate and well-distributed provision and management of good green and public space

(a) The priorities identified to ensure adequate and well-distributed public space should be part of a comprehensive, citywide public space policy;

(b) Develop planning and design guidelines that that articulate between requirements for city scale public space and neighbourhood/locality scale public spaces avoiding prescriptive recipes and following a flexible approach;

(c) With regard to financing mechanisms, it must be underlined that good public spaces, and in particular parks, gardens, plazas, create urban value. Part of this value, which is normally generated by public investment, must be captured in order to improve less attractive areas and neighbourhoods where they are most needed, while other portions can be invested in further public space improvement in choice urban locations thus establishing a virtuous cycle of revenue-investment-further revenue;

(d) Citizen and community participation, particularly at the neighbourhood level, is a fundamental element in the public space creation/maintenance/ enjoyment/evaluation cycle. Only through feedback from the users can the effectiveness of public space be properly measured and monitored over time;

[19] Case: Kazem Kazabekir, Greater Istanbul, Turkey.

(e) Emphasize public sector responsibilities in creating and managing public space that is equitably distributed across cities and their territories, ensuring the easy and safe use of those spaces by all user groups, including women, girls, elderly, children, youth, people with disabilities and the poor;

(f) Raise awareness of the benefits/create market demand for well-designed public space and public space-driven development to exercise pressure on governments as well as private developers;

(g) Adopt "mixed use" in city-scale networks of public space to promote social mix; networks of "shared streets" with multiple modes of transportation and opportunities for diverse uses by diverse users.

E. Finance mechanisms

103. In its policy paper Framework, and in line with the conclusions of this Policy Unit's first expert group meeting, Policy Unit 5 — devoted to municipal finance and local fiscal systems — recognizes that: "Some of the most reliable and effective revenue sources and financing tools used by municipal governments are land-based. Proper use of the property tax and land value capture, among other land-based tools, can help to create sustainable and fiscally healthy communities" (Habitat III Policy Unit 5 2015).

104. What this report wants to stress is the positive connection between sound spatial strategies, the policy priorities suggested for their formulation and implementation, and the prospects for mobilizing the means for achieving the conference goals in cities — adequate shelter for all and sustainable urban development. It is clear that haphazard, unplanned development generates chaos, inefficiency and enormous social and monetary costs. On the contrary, planned development based on sound urban spatial strategies generates wealth. This wealth stems from the increased value of land after deliberate urbanization processes including good infrastructure, good public spaces, and buildable land for all living functions. In turn, cities can recapture — through land taxation and land value capture — the resources they need to feed this beneficial virtuous cycle of planning and investment.

105. It stands to reason, therefore, that resources devoted to the formulation of sound urban spatial strategies are not a cost, but an investment: not only for improving the quality of life of all citizens and protecting the environment, but also for generating the resources this virtuous process requires.

F. Monitoring

106. It is recognized that the Sustainable Development Goals, particularly Goal 11, represent a powerful global standard to measure the achievements of cities and territories in improving living condition of city dwellers. Sound urban spatial strategies require transparency and accountability in the planning process, which in turn necessitates reliable, open and easily accessible data.

107. As underlined in issue paper 8, "ICT and satellite imagery are easy and affordable means of accessing spatial data that have enabled broader participation in knowledge creation and information exchange".[20]

108. Poor data quality, lack of timely data and unavailability of disaggregated data are a major challenge. As a result, many national and local governments continue to rely on outdated information or data of insufficient quality to make planning and decisions.

109. Cadastral data are key elements for monitoring land use, but other indicators are relevant and should be collected and updated regularly.

110. Regional and national governments should make use of geospatial data on built-up, green and open areas to cross-check data collected locally. Open and easily accessible geospatial data can support monitoring in many aspects of development, from health care to natural resource management. They can be particularly effective especially in spatial analyses and outputs that can also be compared worldwide.

111. Considering the challenge of handling large amounts of data (both in terms of know-how and costs), local and regional authorities can work together with national and international institutions and research centres to make the most effective use of open, easily accessible data.

112. If on the one hand cities and countries have the main responsibility for monitoring their achievements on urban sustainable development referring to global indicators, on the other hand many aspects of planning processes and strategies, such as participation, transparency, etc., are site-specific or not enumerable. It is important to ensure that national and local communities and stakeholders take a leading role in monitoring and advocating for adequate participative, clear, transparent procedures, especially in those contexts where phenomena such as speculation, gentrification, and displacement affect the most vulnerable inhabitants.

113. Cities should take on their shoulders the responsibility of monitoring improvements in distributing the benefits of urbanization to city dwellers,[21] with special attention to citywide surveys on supply and distribution of public space (UN-Habitat 2015).

[20] A relevant experience in this field is represented by the Global Human Settlement Layer (GHSL), developed by the European Commission, Joint Research Centre, and its related product such as the European Settlement Map. GHSL is an open and free database to map and classify human settlements in a harmonized and consistent way, based on satellite imaginary (Pesaresi et al. 2013) http://ghslsys.jrc.ec.europa.eu/.

[21] Relevant indicators to be considered are: increase in capacity to earn a living/decreased gap between job market demand and capacity of unemployed; well-used services at their maximum-use capacity (not underutilized and not overcrowded); continuity of water supply (many cities have water and electricity networks but intermittent supply); decrease in drinking water-related diseases; decrease in leakage of water and sanitation networks/decrease in subsoil water table; frequented public and green spaces; less travel time; decrease in carbon emissions; decrease in sexual harassment and violence against women in public space; fewer fatalities and accidents in public space; balanced geographic distribution of public space and green public space; map energy consumption-carbon emission; generation of revenue expenditure of public funds along density/socio-spatially differentiated parts of cities, not only administrative boundaries.

VI. Conclusion

114. This paper's conclusions reflected in the following seven key messages:

Urban spatial strategies

115. The organization of physical space is key to sustainable urban and territorial development. It can be successfully achieved through fair and comprehensive urban spatial strategies.

Designing the sustainable city

116. Compact development and redevelopment on a human scale is the basis for the enjoyment of urban life by all, the satisfaction of basic needs, a vibrant economy and the protection of the environment.

Using land markets to combat segregation

117. Appropriate legislation and planning measures can make sure that part of the wealth generated by urbanization processes is shared collectively providing security of tenure and access to land and services and combat physical and social segregation and improve the living conditions of the urban poor.

Extending the benefits of urbanization to all

118. Urban strategies must guarantee that the benefits and services cities can offer are shared by all, regardless of income, lifestyle, place of residence and type and size of settlement.

Integrating levels, scales and actors of planning

119. The integration between levels of planning, sectors and urban and rural development is essential for the success of urban spatial strategies. Useful tools to achieve this goal are available, including the *International Guidelines on Urban and Territorial Planning*.

Shaping the city through green and public space

120. Green and public space is what defines the identity and character of a city, expresses its physical structure and provides the lifeline of city life: recreation, mobility, interaction, and togetherness.

A global dialogue for sustainable planning

121. The continuation of a global dialogue on the sustainable organization of urban and rural space will be vital for the successful implementation of the New Urban Agenda and the Sustainable Development Goals. The processes put in place by Habitat III could usefully be translated into continuous activities devoted to networking and the exchange of ideas, experiences, information and good practices.

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Policy paper 7: Urban economic development strategies*

Note by the secretariat

The secretariat of the United Nations Conference on Housing and Sustainable Urban Development (Habitat III) hereby transmits a policy paper entitled "Urban economic development strategies", prepared by the members of Policy Unit 7.

Habitat III policy units are co-led by two international organizations and composed of a maximum of 20 experts each, bringing together individual experts from a variety of fields, including academia, government, civil society and other regional and international bodies.

The composition of Policy Unit 7 and its policy paper framework can be consulted at www.habitat3.org.

* The present document is being issued without formal editing.

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Policy paper 7: Urban economic development strategies

Executive summary

Strengthening urban economies, creating jobs and enhancing livelihoods

In 2016, over half of the global population is living in cities and the rate of urbanization is accelerating in the developing world. Unfortunately, the economy of most cities in the developing world is not keeping pace with population growth. As a result, workers in the informal economy comprise 50 per cent or more of the workforce, enduring poor working conditions and insecure livelihoods. Under these conditions, the slum is the emerging urban form. Almost 900 million people live and work in informal settlements, a figure growing 10 per cent annually. In the developed world, the challenges of structural adjustment and de-industrialization have put enormous pressure on many previously affluent cities. Others are flourishing, creating unprecedented concentrations of high-value employment in the creative economy. But land values and the cost of housing in these cities have increased dramatically, adversely affecting the working poor. In this context, it is imperative that urban governments and stakeholders become more effective at facilitating and accelerating inclusive economic development that harnesses the creative potential of the city to generate decent work opportunities for millions of new citizens.

Habitat III is challenging the global community to consider this question in the context of the Sustainable Development Goals and the need for action to mitigate climate change negotiated at COP21. The world will be an urban place, and it is therefore necessary for cities to be partners to the global response to sustainability and climate change challenges. Urban economies also have the potential to generate the ideas and wealth to solve some of the most pressing challenges. Their economic performance is therefore critical to achieving the Sustainable Development Goals.

This paper argues for a two-pronged approach. First, cities need to address the underlying conditions that support them: efficient and transparent regulatory frameworks; coherent land markets; effective infrastructure (power, transit, transport, water, sanitation); urban financial systems that provide sustainable funding to cities; and land use planning that delivers a compact urban form. The solutions to most of these challenges are addressed in more detail in other Habitat policy papers. Second, cities must proactively facilitate an economic development process with the stakeholders in the economy, and require the governance mandate and capacity for this role. In this process, through dialogue with key stakeholders, the priorities for local action that can strengthen the urban economy will emerge.

Cities and their economies are spectacularly diverse. As a result, there is no single prescriptive solution to the economic development challenges they face. The stakeholders of each urban economy must find their path forward. It is in the interests of national Governments and international organizations to support their effort. The role of local government, democratically accountable to citizens, is to facilitate the conversation among stakeholders, provide leadership in investment and action, and rally support by upper levels of government and the international community.

An urban economy consists of hundreds of thousands or millions of actors engaged in countless economic decisions and transactions daily. It has tremendous

momentum, and the ability of any one organization to alter its course is very limited. Local governments do not have the resources to reshape the economy without the support of their stakeholders. And even their concerted action takes time to achieve results. In this way a city is somewhat like a container ship, the trajectory of which is impossible to change instantly, but when changed only a few degrees will end up in a very different place over time.

Section I of this policy paper articulates a vision for the future urban economy in 2036 and a set of principles that should guide urban economic development and conditions that must underpin it.

Section II identifies the fact that cities around the world face a wide range of economic development challenges. Population growth exceeds employment growth in most cities of the developing world. The formal economy in these cities is dwarfed by the informal economy, leading to harsh and difficult conditions for most workers. Infrastructure is inadequate to accommodate population growth and urban economies are not generating sufficient wealth to support the level of investment required. A small number of global cities dominate the frontier of the innovation and creative economy. But even in the developed world, cities struggle with structural adjustment. These challenges are daunting, but, as cities around the world have demonstrated, not insurmountable.

Section III specifies a framework for prioritizing challenges and policies for urban economic development and the New Urban Agenda. Cities must create more robust and inclusive economies with increased levels of productive employment and decent work. To do this, urban governance must be strengthened and focused. A business environment that is supportive of private investment in all sectors, formal and informal, needs to be established. Gaps in strategic infrastructure must be addressed. A compact urban form supported by high-order transit is required for cities to achieve sustainable economic development. Urban strategy must increase the capacity for innovation and investment that leads to the transformation of the economy. That strategy must be able to increase and harness the capacity of both the formal and informal economy.

Section IV outlines the actors involved, ranging from international bodies, nation States, municipal governments, educational institutions, the private sector, civil society and informal community leaders. It is a complex constellation of actors often working in isolation of each other. Power is inequitably distributed among the players. Politics, competing interests and the cultural milieu often work against collaboration and confound effective decision-making. All the while, the urban economy continues to evolve and the city continues to grow, often in dense, unserviced slums.

Section V addresses policy design, implementation and monitoring issues to enhance the probability of successful urban economic development. The public policy objective is clear. But success is only possible if all of the stakeholders — local government, the corporate private sector, the informal economy, civil society, including educational institutions and trade unions — are involved in addressing the challenges and identifying the opportunities of urban economic development.

The paper concludes with key recommendations and steps for moving forward on this ambitious, but essential, agenda.

I. Vision and framework of the policy paper's contribution to the New Urban Agenda

1. Although cities are engines of growth, they are spaces of contradiction with extreme concentrations of both wealth and poverty.[1] While most cities face infrastructure, financial management and institutional challenges, it is in cities in the global South where these challenges are felt most acutely. In these countries, urbanization is outpacing economic growth and job creation; there is underinvestment in urban infrastructure and poor human development outcomes for the majority of urban dwellers. Employment-led economic development is therefore a primary concern for city governments and other stakeholders of the urban economy.

A. Our vision for 2036

2. Our vision is that within two decades, by 2036, cities have responded successfully to the profound social, economic and physical challenges they faced in 2016. An improved business environment has created new opportunities for investment and growth in both formal and informal businesses. The creative energy of cities around the world has generated new opportunities in the formal economy and led to a gradual extension of worker benefits, legal and social protection plus public services to the informal workforce.[2] Urban governments have the capacity to facilitate strong partnerships around economic development strategy.[3] Over the next 20 years, cities will have seen increased improvements in the physical and organizational infrastructure required to support growing urban populations and their aspirations. Cities are more compact, liveable and sustainable and are supported by strategic investments in low-carbon transit infrastructure. Increased local revenues have led to better and more reliable infrastructure services and improved living standards for all urban citizens, particularly the poor.

B. Guiding principles

3. To achieve our vision, we outline four key principles and five enabling conditions that are critical to strengthening urban economies, creating jobs and enhancing urban livelihoods within an inclusive economic development framework:

(a) Principle 1: urban economic growth and development must be inclusive. Urban governments have a responsibility to facilitate inclusive urban economic growth, which aims at expanding urban economies in ways that all, not just a few, urban dwellers benefit;

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[1] United Nations (2010), *State of the World's Cities 2010/2011. Bridging the Urban Divide*, Nairobi, United Nations Human Settlements Programme.

[2] Glaeser, E. (2012), *Triumph of the City*, London, Penguin Books.

[3] Otgaar, A., L. van den Berg, J. van der Meer and C. Speller (2012), "Urban Competitiveness and Sustainable Territorial Development: the Nedd for New Perspectives on Metropolitan Governance", in J. Sobrino (ed.), *Urban Competitiveness. A Global and for Mexico Perspective*, Mexico City, El Colegio de México, pp. 257-286.

(b) Principle 2: urban economic growth and development must occur within a strong rights framework. Economic growth in cities must be founded on strong human rights principles. Specifically:

(i) The right of all to the city, including the right of marginalized groups to equitable access to public resources and services, including public land;

(ii) The right of all to decent work and productive economic opportunities;

(iii) The right of all to adequate shelter, infrastructure and urban services;

(c) Principle 3: urban economic growth and development must contribute to local and national sustainable development. An inclusive and successful urban economy also recognizes the importance of balancing economic growth with environmental sustainability, by supporting innovation in the green economy, and urban cohesion, by reducing social and territorial inequalities;

(d) Principle 4: urban economic growth and development must enable, not destroy, informal livelihoods. The economic development strategy should aim to provide multiple avenues through which informal workers and entrepreneurs can expand their businesses, increase their productivity, and climb up the economic ladder.

4. In order to achieve the principles above, cities need the following enabling and supporting conditions to be in place:

(a) Well-governed and accountable local, regional and national institutions;

(b) Business environments that are supportive of investment in formal and informal sector activities;

(c) Policy dialogues and partnerships between local government, private sector and civil society organizations, including organizations of informal workers, that promote investment, productive employment/decent work, wealth and security for all citizens;

(d) Physical and social infrastructure that strengthens productive factors and helps improve the quality of life of resident and workers;

(e) Support for innovation and entrepreneurship, two necessary ingredients of structural change in the urban economy that are contingent upon the educational, entrepreneurial and cultural milieu of the city.

C. Normative frameworks

5. The new urban economic agenda builds on and extends the work of existing global frameworks. Habitat II recognized the importance of cities as engines of growth and therefore the need to support and invest in infrastructure and human capital. Habitat II was explicit about supporting the informal economy to become more productive and integrated into the formal economy.[4] The agenda for Habitat III reiterates the Habitat II commitment to inclusive urban growth, and goes further to

[4] Tosics, I. (1997), "Habitat II Conference on Human Settlements, Istanbul, June 1996", *International Journal of Urban and Regional Research*, vol. 21, No. 2, pp. 366-372.

include provisions for increased investment in the creation of decent work and the enhancement of informal livelihoods.

6. In 2015 the global community adopted the Sustainable Development Goals, which are of critical importance to the urban economic agenda. While all the Goals are intrinsically linked to urban economic development,[5] four — Goal 1 on ending poverty in all its forms everywhere; Goal 8 on sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all; Goal 9 on resilient infrastructure, promoting inclusive and sustainable industrialization and fostering innovation; and Goal 11 on inclusive, safe, resilient and sustainable cities — are particularly pertinent to this paper's remit. These form the bedrock of the new urban economic agenda that we propose in this document. Also relevant is a global standard adopted by the International Labour Organization in 2015, Recommendation 204 on the gradual transition from the informal to the formal economy, which calls for the preservation of informal livelihoods during the transition and for regulated access of informal workers to public space and natural resources.

II. Policy challenges

7. The urban economic development challenges faced by cities are diverse, varying with income levels, national contexts, and city-specific idiosyncrasies.[6] High-income cities struggle with the consequences of structural change, some facing the challenge of rapidly growing sectors, others dealing with the long-term consequences of declining sectors, outdated skills and high levels of unemployment. Emerging and developing economies face the challenges of generating sufficient quantity and quality of jobs and of upgrading informal wage and self-employment. All cities face challenges of inequality and marginalized groups, of meeting infrastructure needs, and of operating within tightly constrained budgets.

8. Cities also vary in their stage of economic development. Some in the developing world, particularly least developed countries, have economies with high levels of self-employment in the informal economy. Some have developed economies supporting employment in mass production. Cities with innovation-driven, high-wage economies are seeing an increase in start-up entrepreneurship (see annex II, box 1, on start-up cities).[7] It is also true that the ubiquitous distribution of mobile technology and improvements in educational infrastructure have created opportunities for cities in the developing world to advance innovation-driven economic development (e.g. the information technology industry in Bangalore, India, and the software start-up cluster in Nairobi).

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[5] For example, investment in education (Goal 4), gender equality (Goal 5), and sustainable energy (Goal 7), can both strengthen urban economic development and be supported by its success. Urban economic development is aligned with Goal 13 as it is supported by a more compact urban form and energy-efficient transportation systems, as well as opportunities in the green economy. Finally, urban economic development is both strengthened by and promotes peaceful and inclusive societies and effective, accountable inclusive institutions (Goal 16).

[6] Kresl, P. and J. Sobrino (eds.), *Handbook of Research Methods and Applications in Urban Economies*, Cheltenham, Edward Elgar.

[7] Zoltan J. Acs, Sameeksha Desai, Jolanda Hessels, Entrepreneurship, economic development and institutions, Small Bus Econ (2008) 31:219-234.

9. The foci of the challenges and policies discussed in this report are productive employment and livelihoods, necessary for economic growth and for wider economic and social development. However, job creation and livelihood enhancement have to be viewed in the context of the opportunities offered by cities to undertake investment — in housing, businesses, infrastructure, and skills development — and of urban governance. The policy paper is correspondingly wide-ranging. We think that these issues are important in all cities, although our focus is primarily on cities in the developing world. We recognize the heterogeneity of cities, the importance of understanding local circumstances and needs, and the danger of one-size-fits-all recommendations.

A. Productive employment challenge

10. In the past, it was widely assumed that people migrated to cities because of the job opportunities they offer.[8] But today, creating enough opportunities for decent and productive work for all is a major urban challenge. Over the past two decades, many cities around the world de-industrialized while a few others (notably China) industrialized very fast (see box 2 on macroeconomic reforms and economic development in urban China). And recent economic growth in many cities has been led by services, not manufacturing, including low-end personal services (which are labour-intensive) and high-end information technology services (which are not labour-intensive). The net result is that there are high rates of unemployment and, more so, informal employment in many cities around the world.

11. Unemployment, particularly youth unemployment, is a major challenge for cities. Recent ILO estimates suggest that the world unemployment rate was around 6 per cent in 2011 and was projected to grow at about 0.6 per cent each year, with the highest rate in the Middle East and North Africa (11-12 per cent) and the highest projected growth rate in developed economies (above 2 per cent per annum) (annex I, table 1). However, the numbers and percentage of unemployed pale in comparison to the numbers and percentage of working poor in the developing world: in 2011, there were an estimated 839 million working poor (earning less than $2 per day), representing 28.7 per cent of the global labour force (annex I, table 2). This signifies that the lack of productive employment, more so than open unemployment, lies at the heart of the employment challenge, especially in developing countries.

12. In developing regions, while there is a major challenge of youth unemployment, unemployment rates are relatively low (4-7 per cent) and not growing significantly, except in the Middle East and North Africa. In all developing regions other than the Middle East and North Africa, informal employment comprises more than one half of non-agricultural employment: from just over half in Latin America to two thirds in Africa and South-East Asia to over 80 per cent in South Asia (annex I, table 3). This is because in these regions, historically, the majority of the workforce has always earned their livelihoods in the informal economy, and, over time, many new entrants into the labour force and those who lose formal wage jobs have sought work in the informal economy, as they could not afford to remain unemployed.

[8] Boyle, P., K. Halfacree and V. Robinson (1998), *Exploring Contemporary Migration*, Harlow, Pearson.

13. Most of those who are engaged in the informal economy are poor. In most developing countries, the urban informal workforce is composed primarily of construction workers, domestic workers, home-based producers, street vendors, transport workers and waste pickers. Many are wage workers not just for informal firms but also for formal firms and households; the others are self-employed. Only one segment of informal workers — employers — enjoys average earnings above the national poverty line. But employers comprise only 2 per cent of informal employment in sub-Saharan Africa and South Asia and 9 per cent in East and South-East Asia (excluding China).[9] The other segments within the informal workforce, defined by status in employment and ranked in descending order of average earnings, include employees, own-account workers, casual wage workers, industrial outworkers and unpaid contributing family workers. Within this hierarchy, women are underrepresented among employers and overrepresented in the segments with the lowest earnings, as industrial outworkers and unpaid contributing family workers.[10]

14. To sum up, the employment challenge for cities today, especially in developing countries, is to create more decent formal wage jobs, to create more opportunities for productive self-employment, and to enhance existing livelihoods in the informal economy.

B. Investment for employment

15. Underlying the employment challenge is an investment challenge. Successful urban economic development requires that four main investment processes are functioning. One is housing investment, primarily in building residential capital stock, but also in building workspaces for small and informal enterprises. The second is infrastructure investment, in utilities (which may be either public or private), in other basic infrastructure services (water, sanitation) and in public transport and public services. The third is business investment, in both formal and informal firms and in both service and manufacturing sectors. The last is investment in human capital, building the skill levels of the urban population. These investment processes are central, both because of the jobs they directly create during the investment and construction process, and also because they create the assets that make cities liveable and productive.

Housing investment

16. The failure of many cities to generate sufficient formal residential investment in affordable and accessible locations is apparent from the prevalence of slum housing in many developing country cities, and of substandard housing in many richer countries. In Africa, over 60 per cent of the urban population,[11] some 200 million people in sub-Saharan Africa alone,[12] live in slums or squatter settlements, and the global population of slum dwellers is growing at an estimated 10 per cent annually. There are multiple causes for this, one being a fundamental problem of affordability. African

[9] Chen, Martha, Joann Vanek and James Heintz. (2006), *Informality, Gender and Poverty: A Global Picture*.

[10] Ibid.

[11] http://unhabitat.org/wp-content/uploads/2014/07/WHD-2014-Background-Paper.pdf.

[12] http://unhabitat.org/urban-themes/housing-slum-upgrading/.

urbanization is proceeding at lower levels of per capita income than has been the case in other regions, and there are technical challenges in producing a serviced housing unit that is affordable at such low income levels. A second problem arises because of lack of clarity in land rights. Investment in residential and workplace structures is impeded if these rights are unclear and subject to expensive and often inconclusive disputes (see annex II, box 3, on government legalization of informal settlements in Senegal). However, it is also both feasible and desirable to upgrade housing in slum and squatter settlements without de jure tenure.

17. A third factor is inappropriate regulation. Many economic actions and interactions need regulating, particularly in a confined and congested urban context. But often the regulations that are in place are inappropriate for the context. These have the effect of restricting economic activity and sometimes unduly favouring some groups at the expense of others. Regulations are often widely ignored by formal firms, informal firms and government itself. This has knock-on effects, which are often extremely costly. In the context of residential investment, building and other regulations are set at standards which are too high to be attainable or sustainable. In many cities a majority of buildings contravene these regulations. The failure of housing investment matters for several reasons. First, it simply lowers well-being — of the current generation and the next, brought up in environments which may be overcrowded, unhealthy and risky, making both domestic chores and market-oriented work very difficult. Beyond this, it makes for a low-productivity city. Large unserviced slums with poor transport services reduce the productivity of informal workers by extending time required for domestic chores and the commute to places of employment and business. This matters also because the home is often the base for work, particularly for those in the informal economy, and informal settlements are often sites of small industrial clusters. If it is difficult to make the investments for such activity to prosper, then urban economic development is retarded.

Infrastructure investment

18. The infrastructure deficit is widely documented. Estimates of infrastructure investment requirements to meet the Sustainable Development Goals suggest that $1.6 trillion-$2.5 trillion is needed each year between 2015 and 2030 in developing countries alone[13] (annex I, table 4). In Africa, infrastructure needs are estimated at $90 billion per annum, amounting to 15 per cent of African GDP each year and more than 50 per cent greater than current spending rates. This massive deficit is due partly to the financial constraints on governments (central and especially local), with tax bases that are inadequate to raise the sums required or to offer adequate collateral for debt finance. It is also due, in many contexts, to the regulatory and political environment. While in many high-income countries it has proved possible to mobilize private finance for power, telecommunications and water investments, many developing economies have regulatory and business environments in which this has proved impossible. Consequences of these low levels of investment are evident. Lack of access to reliable and affordable sources of power is often cited as one of the major obstacles to doing business.[14] Lack of transport investment leads to congestion and further undermines connectivity in the city (particularly when

[13] UNCTAD 2014, World Investment Report 2014: Investing in the Sustainable Development Goals: An Action Plan, p. 140.

[14] Thomas B.A., C. J. Dalgaard "Power outages and economic growth in Africa", Energy Economics, vol. 38, July 2013, pp. 19-23.

combined with residential sprawl). Development of networks is transforming business activity in the developing world, empowering workers in the informal economy to achieve higher productivity rates.[15] However, this development cannot be taken for granted. Workers find it hard to access jobs, and business-to-business communication is impeded. Transport infrastructure shapes the city and plays a role in coordinating the location of private investment. However, the design of transport systems needs to take into account the location of informal activities and the markets they deal in. Not taking all economic agents and their activities into account can make the city less productive and can have a deleterious effect on the time and health of commuters. Inadequate access to basic infrastructure services leads to the poor spending more time and money to procure them, while increasing the risks of communicable diseases spreading.

Business investment

19. Many developing cities have failed to create enough formal sector jobs. Attracting international investment — be it advanced technology in high-income countries or apparel and textiles in low-income countries — is important for job creation and for overall economic development. Such sectors produce internationally tradable goods, necessary to generate the foreign exchange all countries need. This is particularly critical in Africa, where such sectors are largely absent and there is instead dependence on revenues from exported commodities and minerals. However, it is also the case that outsourced jobs in labour-intensive industries, such as apparel and textiles, are not necessarily decent jobs, even for factory workers but particularly for industrial outworkers.

20. Lack of business investment is a deep-seated problem due to many factors in the economic and political environment. However, some of the problems lie at the urban level. In many cities it is difficult to assemble the parcels of land required for formal business investment. Meanwhile, the sites of informal businesses, whether in slum settlements or in public spaces, are overlooked and/or undermined in local economic development. Firm productivity is low, partly because of the infrastructure problems outlined above and the high cost of capital. Together, these make for an urban environment in which firms can operate to supply local markets, but are not likely to be competitive on global markets. The consequences are that a significant source of employment is missing from many cities.

Human capital and skills

21. The fourth investment challenge is that of building a healthy labour force with the knowledge and skills to contribute to an innovative and competitive urban economy. Cities with more knowledge-intensive labour are able to outperform peers in the global creative economy, adding value, increasing productivity and therefore attracting investment and employment. This is particularly true in the top echelon of cities where a virtuous circle of increased investment stimulates growth in employment and in-migration. A tolerant and diverse cosmopolitan environment can

[15] Sife A.S., Kiondo E., Lyimo-Macha J. Contribution of Mobile Phones to Rural Livelihoods and Poverty Reduction Morogoro Region, Tanzania, Electronic Journal of Information Systems in Developing Countries, V 42, 2010, and Rashid A.T., Elder L., Mobile Phones and Development: An Analysis of IDRC-Supported Projects, Electronic Journal of Information Systems in Developing Countries, V. 36, 2009.

strengthen a city's attractiveness to knowledge workers and entrepreneurs.[16] Highly successful urban economies have evolved synergistically with excellent universities, some of which have been the source of hundreds of technology start-ups that have transformed the urban and regional economy.[17] This is not entirely limited to the developed world, as a city like Bangalore, India, is currently one of the fastest-growing technology hubs in the world.[18]

22. It is generally the case that skill levels in urban areas exceed those elsewhere in the country. Nevertheless, a high proportion of the labour force is lacking basic skills. Business skills are also weak, and have been identified as a challenge.[19] The lack of adequate business skills is due to the lack or poor quality of educational facilities and training schemes and to the lack of on-the-job learning opportunities. There are many intrinsic reasons to strengthen educational capacity globally. But certainly one of the most important is that the ability to compete in the urban and therefore the global economy is essentially a product of human ingenuity and capacity, and therefore dependent on the knowledge and skills of a city's workforce.

C. Governance challenge

23. Urban economic development requires a far-sighted and capable local authority. Cities function only if there is provision of public goods and services for all citizens, and if there is an institutional and regulatory framework which can harness market forces for economic opportunities and well-being for all. In many cities, local government has not been able to meet these goals. This is partly because of institutional structures and the political tensions that they create, partly because of lack of resources, and partly because of failure to engage and collaborate with the full range of urban stakeholders.

24. The challenge of urban governance has been addressed in more detail by Policy Unit 4. In many cities, local government does not have the mandate or resources to address significant urban challenges. The process of devolution, agreed to at Habitat II, has stalled in many jurisdictions. Depending on the city, devolution has progressed or regressed over the course of the past 20 years. Local governments often have limited autonomy, and authority of local governments is evidenced by hiring and disciplining mechanisms for local government personnel.[20] Globally, local governments remain dependent on central government transfers to finance operating and capital costs. The result is that responsibility for facilitating a

[16] http://martinprosperity.org/insight-creative-and-diverse-ranking-global-cities/.

[17] Florida R., Gates G. Knudsen B., Stolarick K., The University and the Creative Economy, December 2006, http://creativeclass.typepad.com/thecreativityexchange/files/university_and_the_creative_economy.pdf; The Innovative and Entrepreneurial University: Higher Education, Innovation and Entrepreneurship in Focus, U.S. Department of Commerce, October 2013, https://www.eda.gov/pdf/The_Innovative_and_Entrepreneurial_University_Report.pdf; Dasher R., "The Role of Universities in Startup Ecosystem Development: What are the Real Lessons from Stanford University in Silicon Valley?" Manila, 2015, http://asia.stanford.edu/us-atmc/wordpress/wp-content/uploads/2014/06/150707-Dasher-SlshotMNL.pdf.

[18] Compass, The Global Startup Ecosystem Ranking 2015.

[19] http://siteresources.worldbank.org/SPLP/Resources/461653-1253133947335/6440424-1271427186123/6976445-1271432453795/Skills_for_the_Informal_Sector.pdf.

[20] http://www.uclg.org/sites/default/files/_28fr29_uclgpolicypaperonlocalfinanceeng2.pdf; Tidemand P., J. Msami, *The Impact of Local Government Reforms in Tanzania 1996-2008*, Research on Poverty Alleviation.

developmental process and the resources to finance that process are not always available to local government. Further, skilled workers rarely regard local government as an attractive employer, with the result that it often lacks the staff to negotiate with the private sector on an equal basis.

Institutional structure and political economy

25. In many cities institutional structures are confused and competing, meaning that the authorizing environment of any particular part of government is circumscribed and of limited effectiveness. Responsibilities are likely to be divided between different central government ministries (finance, business, housing, lands, transport) with varying degrees of autonomy given to urban government. In many jurisdictions, local governments do not have the mandate to support economic development. Within a metropolitan region it is frequently the case that boundaries are outdated so that cities spread across several jurisdictions. This division of authority is further complicated by politics as sectional interests play out in different ways at different levels of government.

26. It is also the case that local governments, like national Governments, often collude with the wealthy and powerful. This makes it particularly difficult to ensure that local institutions, policies and practices are fair and equitable.

27. These are difficult issues to address, but the first solution is to establish clear lines of authority and accountability, with wide-enough scope to enable leaders to see the city as a whole. The appropriate level at which to do this will vary with context and city size, and in many cases will be the city rather than the national Government. The second solution is to have the local government establish participatory policymaking and rule-setting processes at the city level (see annex II, box 4, for an example of participatory decision-making in a mid-size city in Turkey).

Finance and resources

28. Cities have demanding financial needs, both for operating expenditures and, particularly if they are fast growing, for capital expenditure. Estimates of infrastructure spending needs alone run at 10-15 per cent of urban gross value added in many cities.[21]

29. Responsibilities for provision of different services (health, education, policing, sanitation, transport) vary widely between levels of government, but in all cases need to be adequately resourced. Where these responsibilities lie with city government they must have a commensurate flow of funds. Similarly, urban capital spending needs to be financed, either by lines of funding from central Government or by allowing municipal borrowing.

30. At present there is a large imbalance between the fiscal capacity of local governments and their spending responsibilities. For example, some urban authorities in Canada are largely autonomous, generating over 90 per cent of total revenues for operating and capital expenditures from local sources.[22] But the role

[21] Foster, V. and C. Briceno-Garmendia (2010) "*Africa's infrastructure; a time for transformation*", World Bank, Washington DC.

[22] See, for example, http://www.kitchener.ca/en/insidecityhall/BudgetsAndFinanceReports.asp.

and autonomy of local governments in fiscal affairs, especially in developing countries in South Asia and Africa, are very limited.[23]

31. The challenges are both to ensure that the total flow of funds to cities is adequate, and to rectify imbalances between responsibilities and fiscal capacity. If urban government is not able to raise local revenues to pay for local services for which it is responsible, or the competencies to manage those resources effectively, then the incentive to invest in or partner with that government is limited.

III. Prioritizing policy options: transformative actions for the New Urban Agenda

32. The focus of this report is the challenge of assisting cities to generate more jobs and productive work opportunities; to enhance existing jobs and livelihoods; and to ensure that all citizens (including low-income, low-skill, informal workers and in-migrants) have access to income-earning opportunities. These are to be delivered through the strengthening of urban economies. Prioritization of policy options is based on the principles and conditions for economic development articulated in section I.

33. The first principle is that the potential of cities is released if people are enabled to invest — in developing skills, livelihoods, businesses and their homes (which often double as workplaces or storage spaces) — and to benefit from such investments. The advantage of urban areas is the potential for a high degree of connectivity and consequent intense economic and social interaction between a larger and diverse range of people, skills, and market opportunities, all of which can contribute to the positive externalities (including agglomeration economies) that many cities enjoy. Moreover, networks of cities enable them to exploit comparative advantage and specialization at regional and global scales, thus stimulating innovation, raising productivity, and driving economic growth and human development more broadly. The principal role of public policy is to support this potential.[24] This involves creating an institutional and regulatory environment that supports private enterprises, both formal and informal, while seeking to compensate for market failures and providing safeguards and social safety nets. It requires extensive investment in infrastructure and public goods and services, a fair allocation of these public goods, and an appropriate regulatory environment.

34. All cities are different, and policy formulation demands recognition of local circumstances and careful diagnosis of the obstacles to investment and job creation in individual cities. In making these diagnoses it is important to see the city as a whole. Different sectors, formal and informal, play a role. Job creation and productivity are hard to achieve if the residential and commercial capital stock is misplaced or of poor quality. Economic growth can be sustained only in a broader context of inclusive human development and the fair allocation of public goods and services.

35. Policymakers must show due concern for equity and social justice; sustainability, including environmental responsibility and resilience; social and

[23] UCLG 2010, http://www.cities-localgovernments.org/gold/gold_report.asp.

[24] Zhang, L.-Y. (2015), Managing the City Economies: Challenges and Strategies in Developing Countries. London: Routledge.

economic inclusion, including empowerment of disadvantaged groups; and democratic accountability. All of these will, in turn, contribute to reaching the Sustainable Development Goals by 2030. Structures built today will be long-lasting, shaping the economic and social performance of cities, as well as their energy use and environmental sustainability, for many decades to come.

36. Guided by these criteria and the challenges outlined in the preceding section, policy priorities fall into six broad classes: land use; business support initiatives; infrastructure and service provision; the informal economy; urban finance; and urban governance and government capacity (in fiscal and human terms).

A. Land use: building a compact city

37. The structure of the city and its built form can profoundly affect its ability to support economic development. A compact city that is predominantly a medium-to-high-density built form with mixed land uses is able to support a high degree of connectivity — movement of workers, goods, services and ideas — in a manner that is cost-effective and sustainable (see annex II, box 5, on compact cities). This, in turn, contributes to a higher standard of living and the urban vitality necessary to support a dynamic economy. Four sorts of policy measures are required to achieve this.

38. The first is appropriate **land-use regulation**. Regulations are necessary to maintain building standards, guarantee minimum standards, and control congestion. However, these standards — on plot size, floor area ratios, and building standards, for example — must be appropriate for the urban context and the level of national development. In many cases they are not, with standards often set too high and consequently ignored. Subject to environmental and congestion concerns, regulation should accommodate high-density development and mixed land uses. Land-use regulation must be adjusted to accommodate the dramatic growth of informal settlements in most cities in the developing world.

39. The second element is to ensure **clarity of land tenure**, so that investment is not blocked by uncertainty surrounding ownership or other rights of land use. Reform is highly complex as there may be a combination of traditional and market-oriented systems already in place, as there are likely to be multiple claimants to a particular piece of land, and as powerful entrenched interests seek to capture land value appreciation. Efficient and equitable use of land also requires that complementary markets — such as mortgage finance and the construction sector — are operating effectively.

40. Finally, the city authority needs a strategic view and a policy towards land-use planning. A vision for the long-term development of the city, set in the context of national economic development strategies, is necessary in order to guide private investment decisions as well as public actions. There is risk that "coordination failure" will deter investment unless investors have clear expectations about likely development of different areas of the city.

41. This vision should be articulated in: (a) medium- and long-term city development strategies designed to coordinate land use, in line with development of infrastructure and possible patterns of sectoral growth; (b) infrastructure investments that lead, rather than lag, private development; and (c) active review of

building and land-use regulation with a view to encouraging an appropriate mix of density development and mixed land use, to allow all sizes and types of enterprises to flourish, and the transition towards a low-carbon economy and society.

42. Steps have to be taken to make such strategies and plans credible, including regular adjustments over time. The role of urban strategies and plans should be supportive, rather than directive, of private investment. They should recognize the risks attached to being overly rigid, with built-in flexibility.

B. Infrastructure and service provision

43. A city is a large complex of integrated systems. The provision of infrastructure within the city is necessary to its efficient and equitable functioning. Power is required to increase productivity. Transport infrastructure in particular is essential to achieving the benefits of connectivity and avoiding the financial, environmental and public health costs of congestion. The demands of urban density and climate change mitigation place a priority on public transport (and walking/non-motorized transport such as cycling). Particular attention needs to be given to the transport needs of the working poor, as the benefits of transport to informal settlements can be dramatic. Business also needs connectivity to the rest of the region, nation and global markets, through transport networks, ports, airports and telecommunications.

44. The economic development policy agenda requires:

(a) Putting in place process for formulation of medium- and long-term infrastructure development plans, based on rigorous assessment of needs and appraisal of the cost-effectiveness of meeting these needs;

(b) Effective and transparent policy for implementing infrastructure projects and procuring infrastructure investment;

(c) Funding from both public and private sources. To close the infrastructural gap requires substantial increase in infrastructure investment, in which the contribution of private capital will be crucial.[25]

C. Business support

45. It is essential for urban governments to actively and purposefully support the economic development process. By engaging as a stakeholder in the local economy, local government acknowledges the symbiotic relationship between its economy, the success of its business community, the standard of living of its citizens and the services it provides to the community. By expressing leadership in economic development it establishes the possibility of adjusting local policies and public administration in a way that supports the development process. In many jurisdictions, the capacity of local government is limited. But even in these cities, the process of engaging as a champion for development, establishes, at the very least, an agenda for advocacy that otherwise would not exist. In cities with greater capacity, the impact of leadership in economic development can be the almost immediate adjustment of municipal services to support business. Over the longer

[25] UNCTAD 2014, World Investment Report 2014: Investing in the Sustainable Development Goals: An Action Plan.

term, these efforts combine with those of other stakeholders to transform the urban economy.[26]

46. At the most basic level, business development is a product of conversations with businesses of all sizes, investors of all types, including foreign direct investors, established local firms and aspiring entrepreneurs, to better understand their needs and aspirations. This applies equally to formal and informal businesses, as both struggle with a myriad of challenges that range from arbitrary regulation, communications within the industry, logistics, human resources, business management, and reaching local and external markets, among many others. It is important for local government officials to understand the challenges of the local business community and to address significant issues as they arise.

47. This conversation can also help position the urban government to collaborate more effectively with national-level inward investment agencies. A city that has developed an intrinsic competitive position, whether it is the skills of its labour market, the strength of its dominant clusters, good infrastructure or natural endowments, can attract significant foreign investment.

48. Business development can also include proactive programmes including support for industry associations, business service centres to support informal, small and medium-sized enterprises with training programmes, mentorship, peer-to-peer programmes, the provision of incubation and co-working space. Services can be tailored to the differing needs of different types of business, including the small and medium-sized enterprises and informal enterprises. Cluster development activities, in which stakeholders in a particular industry identify strategies that can advance their industry as a whole can be very effective (see annex II, box 6, on local economic development in Morogoro, United Republic of Tanzania). Cluster development activities should be targeted at both clusters of formal businesses and clusters of informal businesses in informal settlements. Business development services can help to address gaps in business financing by attracting partnerships with financial institutions. Business development services vary in complexity, and some require a high level of expertise to operate successfully, and can be expensive failures in the absence of such expertise. Prior consultation with potential beneficiaries and other stakeholders should improve the outcome. Capacity-building in this area needs to receive high priority.

49. In the developing world, it is critical to provide support to informal workers and their livelihood activities, as they often comprise the majority of workers and enterprises in the urban economy. The provision of cost-effective business support can help improve productivity and address significant business challenges. It also sets the stage to encourage them to incorporate their businesses as their success grows.

50. In an increasingly knowledge-intensive economy, the skills available in the labour force are a primary determinant of business investment and employment growth. The targeted development of a skilled labour force can be a significant competitive advantage of an urban economy. Economic development strategy can

[26] http://cor.europa.eu/en/documentation/studies/Documents/lra-innovation-economic-growth.pdf. Building Community Prosperity Through Local Economic Development: An Introduction to LED Principles and Practices, George Edward Treller, Federation of Canadian Municipalities/ International Technical Assistance Project, 2014.

identify skills requirements and help support efforts of educational institutions to address gaps. Educational institutions that are positioned to respond to the requirements of the urban economy can play a critical role in this process.[27]

D. Support for the informal economy

51. As noted earlier, the majority of the workforce in most developing countries is engaged in the informal workforce. Among the informal self-employed there are some who deal in illegal goods and services and some who evade or avoid registration and taxation. However, most are working poor trying to earn an honest living. They would welcome the benefits that come with regulation and taxation. However, for them, existing regulations are often irrelevant, inappropriate or punitive, and many taxes or tax thresholds do not apply. Cities need to adopt more appropriate and inclusive policies to support the working poor in the informal economy.

52. At the heart of the policy debates on the informal economy is the question of whether and how to formalize the informal economy. Historically, there have been two dominant notions of what formalization of the informal economy means or should mean. To some, it has meant shifting informal workers to formal wage jobs, but this requires creating sufficient formal wage jobs. To others, it has meant registering and taxing informal enterprises. But in recent years there has been increased recognition that the informal economy is expanding, not decreasing; that it is composed of both self-employed and wage-earning, most of whom are working poor persons trying to earn an honest living and many of whom pay taxes and fees of various kinds; and that government regulations and policies impact them directly, often negatively. With this recognition has come a different approach to formalization: as a gradual process that should preserve and enhance informal livelihoods while extending legal and social protections as well as support services to the informal workforce, particularly the working poor.

53. Reflecting this new perspective and approach, Recommendation No. 204 on the gradual transition from the informal to the formal sector, adopted by the tripartite partners at the 2015 annual conference of the International Labour Organization, recognizes and makes provisions for the following:

(a) Most informal workers are from poor households trying to earn a living against great odds and therefore need protection and promotion in return for regulation and taxation;

(b) Most informal economic units are single-person or family operations run by own-account workers who do not hire others;

(c) Informal livelihoods should not be destroyed in the process of formalization;

(d) Regulated use of public space is essential to livelihoods of informal workers, especially in cities;

[27] Developing National Systems of Innovation: University-Industry Interactions in the Global South, Eduardo Albuquerque, Wilson Suzigan, Glenda Kruss and Keun Lee, Edward Elgar Publishing/IDRC, 2015.

(e) Regulated access to natural resources is also essential to the livelihoods of informal workers.

54. In the context of cities, this new approach to formalization requires a reappraisal of urban policies, plans and practices, which often work against, not for, informal workers and their livelihoods. The working poor in the informal economy tend to work in either public spaces such as streets, open areas, construction sites or in private homes, often in slum and squatter settlements. To make their livelihoods productive, the working poor need secure workplaces with basic infrastructure services. This requires regulated access to public space and de facto tenure and upgrading of slum and squatter settlements. City by-laws relating to street trade are often quite outdated and punitive. Rather than updating the by-laws, city governments tend to relocate street vendors from central business districts to the periphery of cities, only to have them return. City regulations relating to solid waste management do not recognize or integrate informal waste pickers who have cleaned cities for decades, know best how to recover recyclables from waste, and thereby help reduce both carbon emissions and the costs (to the city) of waste disposal.

55. To secure and enhance their livelihoods, the urban working poor need an enabling business environment as well as supportive services. They need the right to be free from harassment by the police and other local authorities, from confiscations of their goods and equipment, and from evictions or demolitions of their homes and workplaces. They need secure tenure of their homes and workplaces, access to basic infrastructure at their workplaces and to public transport between their homes and workplaces, suppliers and buyers. This will require that cities recognize that informal settlements and public space — the urban commons — are sites of informal activities; and that evicting the working poor from informal settlements and public spaces not only undermines their livelihoods but also, in so doing, undermines the urban economy. Considered another way, this will require that cities integrate informal workers and their livelihoods into local economic development plans.

56. In terms of urban governance, the working poor in the informal economy need the right to organization and representation. They need to be able to exercise collective voice, which comes through being organized into democratic member-based organizations; and they need to exercise representative voice, which comes through such organizations being able to participate in relevant policymaking, rule-setting, collective bargaining, or negotiating processes. In order to do this, they need capacity-building support to enable their leadership to effectively engage with policymakers, as well as a solid evidence base with which to make their case (see annex II, box 7, on platforms for information sharing, dialogue and negotiating between informal workers and city authorities).

E. Urban finance

57. A predictable, secure and substantial source of revenue is necessary for city government to support services and infrastructure at the level required for urban economic development.

58. Funds may come from central government or from local sources. Local sources play an important role as they connect citizens to local government, enabling them to hold local governments accountable for budgetary allocation and

their outcomes.[28] This can avoid a governance trap: with heavy dependency on central mandates and allocation, citizens become disinterested in what local governments do, which in turn weakens the incentives of local governments to do well in meeting public needs and the incentives of citizens to pay local taxes and fees and to monitor the performance of local governments.

59. Local autonomy needs to be balanced against the risk of tax competition between cities bidding local tax rates down to suboptimally low levels. This may involve central Government setting minimum local tax rates.

60. There is a strong case for implementing taxation of land values; ethically, since urban land derives its value from its location in the city and from public investments in the city as a whole, rather than from the actions of past or present owners of the particular piece of land; economically, since a land value tax is less likely to be damaging to productive activity than corporate taxes or business licensing fees; and administratively, since it can be based on a land cadastre (necessary also as part of ensuring clarity of ownership and tenancy rights). But the administrative challenge of building and maintaining a land cadastre is acknowledged.[29]

61. Where large-scale infrastructure development is required, qualified local governments should be allowed to raise additional resources. Three particular methods have shown great potential, including municipal borrowing (either through bank loans or municipal bonds), public-private partnerships, and land-based commercial activities.[30] Tripartite partnerships — between local government, the private sector, and communities of the urban poor — are another approach to explore. They have been effective in slum-upgrading schemes, with the urban poor contributing their labour. To enable local governments to make better use of these financial instruments, however, it is necessary to introduce auditing mechanisms and to strengthen the institutional capacity of local governments (see annex II, box 8, on an alternative approach to raising revenue in Sao Paolo, Brazil).

F. Urban governance

62. Good governance is an essential condition for development. It provides services necessary for private sector investment such as water, sanitation, transportation and transit infrastructure, local markets and, in some jurisdictions, health and education services. It also sets, in much of the world, local tax and utility rates, as well as land-use planning regulations. It represents the community in the development process and can either facilitate or frustrate that process. Much of the infrastructure managed by local government is capital-intensive and takes years or decades to establish and has a life cycle of many decades. As a result, stable, effective, accountable and transparent local governance, including policy, planning, procurement, investment and taxation, can be a significant benefit to economic development stakeholders improving the climate for investment and risk-taking by private sector partners. It can also be an instrument for redressing deep-seated

[28] Devarajan et al. (2007) *Protecting the Vulnerable: the Tradeoff between Risk Reduction and Public Insurance*.

[29] http://www.lincolninst.edu/.

[30] Farvacque-Vitkovic and Kopanyi (2014) Municipal Finances: A Handbook for Local Governments. World Bank.

socioeconomic imbalances, improving conditions among the working poor and generating employment, as the case of Medellin shows (see annex II, box 9).

63. A number of key principles are important to articulate as supporting effective local governance. Government should be accountable to the population of the city and voice should be given to different stakeholders (including the private sector, universities, the trade unions, the informal sector, etc.). There should be clarity of authority, with the division of responsibilities between levels of government made clear and each layer of government empowered to meet its responsibilities. The spatial span of control should be appropriate, with citywide policies and public goods managed by a citywide authority and local services provided at a more decentralized level. Capacity and expertise needs to be developed at all levels, including economic development functions in local government; strengthening of the monitoring and evaluation mechanisms of government programmes; and enhancing transparency through measures such as e-government. Economic development is a cross-cutting objective of local government and needs collaborative support from several functional areas discussed above. It is important for the structure of local government to reflect this challenge and align functions in support of economic development strategy as a top-level municipal priority. Ability to work with the private sector, education institutions and community development partners in formulating local economic development strategies requires a pro-business and pro-partnership culture.

64. Although the national policy context also has an impact, cities are where urban informal workers pursue their livelihoods and live their lives. Their livelihoods are bound up intimately with the processes, policies and procedures enacted by the city as it pursues its various — and often disconnected — agendas. Urban informal workers are vulnerable to municipal policies that discriminate against them and allow for harassment by local officials. To facilitate improved productivity and standards of living among informal workers, local regulatory framework and enforcement officials need to recognize the contribution they make to the local economy.

IV. Key actors for action: enabling institutions

65. Although this policy paper focuses on urban economies, we recognize that these are complex and require actions of different actors at the global, regional and local levels. In this section, we outline the roles and functions of various key actors: governments, global multinational and international organizations, civil society, and the private and informal sectors. Our choice of actors was informed by their sphere of influence — from setting global norms and standards to influencing where street traders can or cannot trade — and the kind of influence they wield in the economy. Any urban economic policy framework has to take into account all economic actors. We argue that a good economic framework balances the needs of all actors in ways that strengthen economies, enhance livelihoods and create jobs.

A. Key actors and institutions

66. Overall, national governments are critical in establishing the legislative and policy framework for economic development. Their role in managing the macroeconomic, fiscal environment, the regulatory framework, establishing

intergovernmental and decentralization policies, as well as setting the policy framework for sectors, firms and industry make them both an important and powerful actor in urban economies. Well-designed and effectively implemented macroeconomic reforms can drastically alter the course and speed of urban economic development (see annex II, box 2). National Governments have a broad and strategic perspective at a distance from the minutiae of local concerns and opportunities. Their interest can be in the whole, rather than the particular.

67. Local governments are the closest representative and accountable level of government. Unlike national Governments, their purview is local and their concern is to create a local environment in which enterprises can flourish. They are also responsible for regulating and licensing development and land use:

- Urban governments are responsible for physical infrastructure at the community level, which is necessary for business and labour markets to function
- Local governments are also the most appropriate agents to convene the stakeholders in the local economy: chambers of commerce, small and medium-sized enterprises, educational institutions, trade unions and industry-related organizations
- It is the environment in which people meet face-to-face to create partnerships, find synergies for mutual support, and devise strategies for their community
- Local governments make strategic decisions about land use and urban form, transportation, water and sanitation services, etc.

68. These decisions have a direct effect on the competitiveness of the local business environment. If a municipality is actively involved in economic development strategy with its stakeholders, it is better able to determine the implications of alternatives on the local economy. It is also able to shape the form of the city to reinforce economic development with infrastructure investment strategy and land-use regulation. For example, investments in higher-order transit services in advance of development will support a more compact, sustainable city better able to efficiently move its labour force and compete in the global economy. However, large infrastructure development projects, including transport systems, can destroy the sites of informal livelihoods and do not necessarily serve the interests of informal workers and their livelihoods. To operate effectively, local governments require clear legislated mandates with defined roles, budgetary powers and capacity. To achieve effective decentralization of responsibility for economic development, upper-level governments must establish legal frameworks that provide local government with the clear mandate and resources to carry out their roles. And local governments must set up processes for involving all stakeholders in local policymaking and rule-setting processes.

69. No government has the capacity to achieve economic development objectives without the engagement of the private sector and institutional partners. Private sector partners harness creativity and innovation, capital and labour to create wealth, distributing it in the process. The construction of a shared vision, provision of infrastructure and an educated workforce can lead to job-creating investment decisions by the private sector. Without the mobilization of private capital and innovation, the potential impact of strategy is limited.

- The real estate sector must also build the city, and will respond to a well-articulated vision for the built form, creating employment and allowing open space for livelihoods.
- The private sector will invest where it can see potential returns on investment and a reasonable regulatory environment. As a corollary, private sector activities governed by ethical trade, labour and environmental sustainability principles and regulations create decent jobs and equitable economic development.

70. The informal economy represents a significant share of the private sector in many countries, often larger than the corporate private sector and, as such, poses both a significant opportunity and challenge for economic development stakeholders. Informal operators and workers often struggle to support their families, living and working in disadvantaged circumstances. However, when organized and supported over time, they have the potential to increase productivity and dramatically improve their standard of living. While some informal workers are joining the ranks of formal trade unions, more informal workers are organizing into their own trade unions, cooperatives and associations. These organizations of informal workers are also key stakeholders. Supporting and taking into account the informal workforce and their livelihoods in urban economic development is critical because they are important producers of goods and services and are becoming an important political voice in both global and local contexts.

71. Trade unions have played a significant role in the improvement of working conditions and compensation in many industries in many countries. But their influence is limited in the developing world, where half or more of the workforce is informal. Nevertheless, they represent an important stakeholder in economic development and can make a contribution to strategy development.

72. Education and training institutions: economies rely on the availability of labour, both skilled and unskilled. But the ability to increase productivity through innovation and technology requires skilled labour. Post-secondary education institutions generate the talent and research to support continuous innovation processes in mature and new firms. Research universities focused on supporting the entrepreneurial aspirations of their students can support the development of a highly innovative urban economy.[31] However, young people cannot take advantage of opportunities in higher education without basic primary and secondary schooling.

- Educational capacity should be a cornerstone of urban economic development strategy.
- Education institutions should see themselves as contributing and benefiting stakeholders in the local economic development process.

73. Non-governmental organizations (NGOs) are present across both the developing and developed world. They often have a particular expertise to contribute to economic development strategy and can be a source of investment capital and innovation in areas such as urban employment, poverty, environment and human rights.

[31] University of Waterloo Economic Impact Study, 2013, https://uwaterloo.ca/about/sites/ca.about/files/uploads/files/c003711_economic_impact_report_lr_v2.0_final-s.pdf.

- Challenges include a lack of coordination or integration into local economic development strategy and lost opportunity to leverage assets and investment or support strategy implementation.

- Recommendation: NGOs should support local strategy and efforts in local economic development.

74. The role of international organizations is much greater in the developing world than in the global North, where their interest is primarily of a monitoring and regulatory nature (i.e. trade agreements, climate change). In the global South, international organizations play a major role in national policy and finance, economic development programming and project investment decisions (e.g. Millennium Development Goals and Sustainable Development Goals, Habitat III, International Labour Organization standards).

- International processes that attempt to formulate consensus on global challenges can affect local economies through their success or failure, or the substance of international commitments.

- Localized impacts of international programmes can disrupt or support economic development efforts, investment, employment, incomes and quality of life.

- Recommendation: consideration should be given to the potential local impact of international processes and the need to help implement international norms but also mitigate potentially adverse outcomes.

75. Large multinational firms are the dominant enterprises in many jurisdictions, particularly resource-rich economies. They can have a disproportionate effect on a local economy by providing the primary source of formal employment, infrastructure, and income in smaller cities and rural communities. Governments that develop the competencies to manage business relations with large multinational corporations are better positioned to mitigate their impact on the communities and capitalize on the benefits.

- Large corporations have a responsibility to maximize the developmental benefits of their activities on the local economy.

- Supporting local supply chain development on fair terms can help strengthen the firm, the units and workers linked to the firm, and the local economy.

- By providing a global perspective and advanced market intelligence, large corporations can support local economic strategy to capture additional opportunities for the urban economy.

B. Urban economic actors

76. Table 5 (in annex I) provides a map of key urban economic actors and institutions and the roles they play in different segments of the economic process. We identified six key areas — the legislative framework, business environment, trade logistics, infrastructure and services, access to finance and human capital — which comprise the broad economic environment within which cities operate. The table shows the importance of national and local governments in all segments of the economic process. Multilateral and bilateral institutions also play an important role

in urban economies because they set trade and policy agreements that regulate international trade. Free trade agreements, for example, are important because they can give cities a competitive edge over suppliers. International actors are also important providers of skills and services across the economy, from the business environment to human capital development. Although the private sector is not a key player in setting the economic legislative framework, it maintains a powerful voice because of its role in all other aspects of the economy. Although weak politically, the informal economy plays an important role in providing valuable goods and services to the urban economy and community.

C. Enabling institutional processes

77. A key task or challenge of local governments is to balance the competing interests of these different actors and institutions and facilitate a sustained participatory development process. In real everyday urban life, different actors compete for public space, public services, public contracts and other public resources. In reality, some actors and institutions are more powerful than others, and some local governments collude with dominant interest groups. These realities are reflected in the policy tensions or dilemmas faced by local government, including: whether to promote private interests versus the public good; incentivize versus regulate behaviour of different actors; cross-subsidize poor communities or pursue cost competitiveness; promote universal support programmes or selective targeted programmes; target areas in need or areas with potential. It is very important to recognize these policy tensions and who are the winners and losers of each policy decision.

78. It is very important, therefore, to promote a fair and inclusive system of urban governance. This requires engaging with all stakeholders and promoting inclusive policymaking and rule-setting process with representation from all relevant stakeholders. For the working poor to improve their livelihoods, organizations of the working poor need to be effectively engaged at all stages of the policy process: from identifying and calling for reforms to drafting specific laws, by-laws/regulations and policies, to monitoring the implementation of laws, by-laws/regulations and policies. However, the urban poor are often at a disadvantage in voicing their needs and demands and being heard by local government. In certain cities, including Accra, Bangkok and Lima, special platforms have been established for engagement and negotiations between organizations of the urban working poor and relevant local government authorities (see annex II, box 7). In other cities, there have been longer-term ongoing engagements between informal workers and the city, including between street vendors and the Durban municipality in South Africa and waste pickers and the Bogota municipality in Colombia (see annex II, boxes 10 and 11).

V. Policy design, implementation and monitoring

79. This policy paper has presented a comprehensive and complex agenda for employment-led urban economic development, including a vision statement and a set of normative principles (sect. I); a range of urban economic development challenges (sect. II); a framework for prioritizing which challenges to address and

how (sect. III); and the key actors and institutional processes that should be involved (sect. IV).

80. The policy objectives — and the policy challenges — are quite clear. This section lays out a policy design response to the challenges and priorities which cities and their stakeholders must grapple with to support urban economic development. The scale of the challenge is daunting, but numerous examples illustrate the potential for success (see boxes in annex II). The extreme diversity of cities, their economies and the challenges they face defies a strongly prescriptive solution. Rather, this paper suggests that a clear mandate for urban economic development must be given to urban stakeholders, especially democratically accountable local government. The following sections outline the process requirements for effective strategy development, implementation and monitoring.

A. Policy design process

81. Cities, to succeed in urban economic development, must address two sets of conditions. The first is underlying conditions which support the city's physical capacity for economic development. These include the infrastructure necessary for economic development, the means to fund that infrastructure, and the spatial and land-use planning capacity to determine its structure and development sequence. The aspiration must be a compact, transit-supported city that is well serviced with reliable power, water, sanitation and telecommunications, efficient and transparent regulatory environments and market institutions, including land markets that function effectively for all. These underlying conditions are discussed at length in policy papers 5, 6 and 9 and therefore not elaborated further here, but their importance to urban economic development cannot be overstated.

82. The second are those underlying conditions enabling the development process. Economic development facilitation is the key enabling role for local government because it has the potential to galvanize support for sustainable economic development strategy. It requires government leadership from the mayor, the council and staff to engage their stakeholders (formal and informal businesses as well as civil society, including higher education institutions, trade unions and non-governmental organizations), in a conversation to shape a collective vision for the future of the city and its economy. This conversation provides invaluable intelligence for strategy development. Augmented with good economic research, local planners and decision makers come to understand their tradable sectors in regional and international markets and determine specific actions that can improve their competitiveness (university research, technology, advanced skills, local networking — among firms, external connections) and capture new opportunities in the global economy. It can determine the specific business support services that are required and the local initiatives that can help position a community to more effectively compete for both local and external investment and employment.

83. As indicated earlier, we do not favour a one-size-fits-all approach to employment-led urban economic development. We also do not favour a technocratic top-down policy design and planning process. Policy solutions need to be customized to fit the economic, social and institutional specificities of individual cities; driven by consultations with all relevant stakeholders; and informed by knowledge of ground-level realities. What we recommend, then, is a policy design

process that involves: (a) intentional dialogue with key stakeholders to identify economic opportunities, including industries or subsectors with potential for growth and/or a concentration of the working poor, and to negotiate joint solutions to challenges, including dealing with competing interests; and (b) mapping of key industries or subsectors in the city to identify opportunities and constraints facing different sizes of enterprises — especially the medium-sized, small and informal enterprises — within each industry or subsector.

84. The intentional dialogue with key stakeholders for urban policymaking needs to include relevant stakeholders from each broad constituency: government, the corporate private sector, the informal economy, and civil society. The dialogues should be ongoing and should involve conversations to share information with a focus on economic opportunities and innovation; consultations to understand the different constraints and opportunities faced by different stakeholders; and negotiations to reach agreement about the appropriate policy solutions, including the allocation and use of public space, resources and services.

85. Another type of dialogue, to inform the others, should be to map key industries or subsectors to identify opportunities and bottlenecks (see annex II, box 12, on subsector mapping). The purpose of these intentional dialogues and the mapping of key industries or subsectors is to identify both opportunities and constraints to urban economic development; to develop understanding and consensus between different urban economic actors; and, in the process, to identify the most appropriate and acceptable policy solutions and actions.

B. Implementation framework

86. Urban economic development is primarily a social process in which stakeholders within the economy shape a shared understanding of the current situation and an attainable vision based on their priorities and garner the incremental human, financial, and physical capital to gradually increase productivity and enhance livelihoods. No doubt, economic development in some contexts has very technical and capital-intensive requirements. But the process of determining what those are and how to mobilize the necessary resources is not technical. Whether the actors are in a city at the pinnacle of the innovation economy or focused on improvements to the standard of living of workers in a large informal settlement, the process of determining the next steps in the evolution of the local economy and the mechanisms to implement the strategy is the product of conversation and collaborative leadership.

87. What can be said about the framework for local economic development that has potential broad application, given the extreme diversity in the typology and context for cities? Several key features emerge out of both the literature[32] and promising cases (see boxes in annex II).

[32] Competitive Cities for Jobs and Growth: What, Who, and How. 2015, World Bank Group, http://www.worldbank.org/en/topic/trade/publication/competitive-cities-a-local-solution-to-a-global-lack-of-growth-and-jobs.

Engage with urban economic development stakeholders to build strategy

88. Meaningful engagement of economic stakeholders — private sector, educational institutions, community-based organizations, think tanks and trade unions — assists the municipality in gathering intelligence, ideas and aspirations to inform strategy. But more importantly, stakeholder engagement helps to craft clear and consistent strategy that can mobilize partners and channel investment of their time and resources in support of community objectives. Economic development strategy is a product of conversation and collaboration among stakeholders. Urban economic development strategy should also help position the city to capture emerging opportunities as they arise, developing relationships with external collaborators and investors and encouraging firms to develop external markets.

Undertake research and analysis

89. A city exists within a particular historic, geographic, environmental and economic context. It is important to understand the city, its context and the development processes that have shaped it. Data analysis and external research can inform strategy that is both aspirational and credible. Recognizing, however, that information is always imperfect, dialogue with stakeholders engaged across the community and its economy can assist in filling gaps and confirming conclusions. Sector-mapping processes as discussed above can help stakeholders identify gaps and opportunities and prioritize potential actions.

Focus human, financial and physical resources on urban economic development strategy

90. Economic development is a cross-cutting activity requiring the engagement of the organization as a whole and alignment of both policy and organizational culture. Both organizational structure and culture must reflect the urgency with which the city considers economic development imperatives. An ambitious economic development strategy can be undermined by a contradictory, irrational or malicious regulatory environment. That is not to say that reasonable standards are not required. Judicious, consistent, fair, predictable and efficient application of policy and regulation to support environmental sustainability, health and safety, and other public policy objectives that reflect community expectations will support the implementation of sound economic development strategy. Building capacity in local government through development of a professional, capable public service can advance economic development. Establishing a formal economic development office within the municipal government reporting to the Chief Administrative Officer or Municipal Director can help organizational resources on urban economic development objectives.

Support and celebrate entrepreneurship in both the formal and informal economies

91. Entrepreneurs are the risk-takers and innovators that help shape the future economy. Yet by definition, chance of failure is high. Business founders often do not have the knowledge or skills to grow their businesses beyond its formative stages. Access to mentorship, advisory services, peer-to-peer groups and support networks can dramatically improve success rates and assist in their growth. Explicit

municipal support for entrepreneurs in both the formal and informal economies can strengthen a community and help create jobs.

Build support from upper-tier governments and international organizations

92. Upper-tier governments and international organizations have access to greater resources and networks that can support urban economic development. They are responsible for strategic regional infrastructure that is critical to connecting urban economies to network cities and markets. It is also important to engage these governments so that local strategy can inform national investment decisions.

Build human and social capital within the community

93. Economic development is contingent on many things, but it is first a product of human ingenuity and determination. The ability of the community to support the education and development of its citizens is the prerequisite for the development process. Economic development strategy must mobilize education, innovation and entrepreneurial capacity across the spectrum from elementary to advanced levels.

C. Indicators of successful implementation, monitoring and evaluation

94. Strategy implementation affects a broad range of social, economic and physical aspects of the city. Initially, it is a political and social process. Decisions around resource allocations and budgets are made through multiple stages over the course of considerable time. Teams are assembled and mobilized. Stakeholders are engaged. In this formative stage, little physical or statistical evidence is available to demonstrate that strategy implementation is under way. As projects move through the planning process, decisions are ultimately made to launch complex initiatives. In the case of large infrastructure projects, that planning stage can take between 5 and 10 years. In capital projects that characterize urban development, planning processes of 12 to 36 months are not uncommon. The construction of significant urban projects can be in the range of 24 to 48 months. As a result, the physical and statistical evidence of strategy implementation can lag five or more years.

95. Over time it is important to monitor three types of indicators: procedural, structural and socioeconomic. Procedural indicators include events, such as the formulation and publication of an urban economic development strategy or spatial development plan, reorganization of municipal divisions to support economic development, the publication of legislation or by-laws, or the launch of a programme to support a specific aspect of strategy. Structural indicators measure gradual change among industries and occupations. Socioeconomic outcomes are those measuring the well-being of citizens as a whole. Specific indicators can include education, personal income, housing status, and measures of household stability as well as qualitative indicators such as perspectives on personal and community well-being, and attitudes towards the future.[33]

[33] http://www.worldbank.org/en/news/feature/2013/02/14/monitoring-and-evaluation-for-better-development-results.

VI. Conclusion

96. In conclusion, Policy Unit 7 would like to advocate strongly for four key recommendations:

(a) First, urban economic development should be seen as an intrinsic responsibility of national and local governments. As we argue in the report, each level of government plays a different yet complementary role in achieving sustained and sustainable urban growth. It is important, therefore, for national Governments and international agencies to collaborate with and support local governments in their efforts to strengthen the local economy;

(b) Second, we would like to emphasize the need to recognize and support the working poor in the informal economy as legitimate actors in the economic development process;

(c) Third, it is critical to help cities address the underlying conditions for urban economic development. These include the infrastructure necessary for economic development, the means to fund that infrastructure, and the spatial and land-use planning capacity to determine its structure and development sequence. The aspiration must be a compact, transit-supported city that is well serviced with reliable power, water, sanitation and telecommunications, efficient and transparent regulatory environments and market institutions, including land markets that function effectively for all. We would like to acknowledge the importance of achieving a compact, transit-supportive urban form in order to support economic development, sustainability and social cohesion. Cities that are not able to deliver the underlying conditions to support economic development will struggle to succeed;

(d) Fourth, the global community must also support the enabling conditions for employment-led urban economic development. We would highlight the need for support for the capacity of local governments to implement appropriate land value-based tax regimes and other financing strategies in order to finance local infrastructure and services in support of economic development;

(e) Finally, in terms of the way forward, we would like to underscore the policy design and implementation process outlined in section V as follows:

(i) Engage with key urban economic development stakeholders — government, corporate private sector, the informal economy, educational institutions and civil society — in information-sharing, consultation and negotiating platforms, in order to craft economic development strategy that can mobilize stakeholder action;

(ii) Undertake research and analysis to inform the policy design process, including mapping of subsectors and industries to identify opportunities and bottlenecks;

(iii) Support and celebrate entrepreneurship in both the formal and informal economy;

(iv) Focus human, financial and physical resources on urban economic development strategy;

(v) Build support among upper-tier governments and international organizations;

(vi) Build human and social capital within the community.

Annex I

Tables

Table 1
Unemployment rates (2007-2018)

	Rate (percentage)											
Region	*2007*	*2008*	*2009*	*2010*	*2011*	*2012*	*2013*	*2014*	*2015*	*2016*	*2017*	*2018*
World	5.5	5.6	6.2	6.1	6.0	6.0	6.0	6.1	6.1	6.1	6.1	6.0
Developed economies and the European Union	5.8	6.1	8.4	8.8	8.4	8.6	8.6	8.6	8.4	8.2	8.0	7.9
Central and South-Eastern Europe (non-European Union) and Commonwealth of Independent States	8.2	8.1	9.9	9.2	8.5	8.0	8.2	8.3	8.2	8.2	8.2	8.1
East Asia	3.8	4.3	4.4	4.2	4.3	4.4	4.5	4.7	4.8	4.9	4.9	5.0
South-East Asia and the Pacific	5.5	5.2	5.1	4.7	4.4	4.1	4.2	4.3	4.3	4.3	4.3	4.4
South Asia	4.1	4.1	4.2	3.8	3.8	3.9	4.0	4.0	4.1	4.1	4.1	4.1
Latin America and the Caribbean	6.9	6.5	7.5	7.3	6.7	6.6	6.5	6.5	6.5	6.5	6.4	6.4
Middle East	10.2	10.1	10.3	11.1	10.8	10.9	10.9	11	10.9	10.8	10.8	10.7
North Africa	11.1	10.5	10.6	10.4	11.8	12.1	12.2	12.2	12.1	12.1	12.1	12.0
Sub-Saharan Africa	7.5	7.7	7.7	7.6	7.6	7.6	7.6	7.6	7.5	7.5	7.5	7.5

Note: 2013 are preliminary estimates; 2014-2018 are projections; the upper and lower bounds of the confidence interval are shown in the figures in annex 3. Source: ILO, Trends Econometric Models, October 2013; see also source of table A2 and annex 5.
Source: *2014 ILO Report on Global Employment Trends* (table, p. 1).

Table 2
Working poor ($2 per day), developing world and regions (2000-2018)

	Number of people (millions)						*Share in total employment (percentage)*					
Both sexes	*2000*	*2007*	*2011*	*2012*	*2013*	*2018*	*2000*	*2007*	*2011*	*2012*	*2013*	*2018*
World	1 199.2	989.5	878.1	851.0	839.0	736.2	45.9	33.7	28.7	27.4	26.7	22.0
Central and South-Eastern Europe (non-European Union) and Commonwealth of Independent States	17.9	8.1	6.7	6.4	6.0	4.7	12.3	5.1	4.1	3.9	3.6	2.8
East Asia	412.9	224.1	144.6	123.5	111.6	52.4	55.1	28.0	17.7	15.0	13.5	6.2
South-East Asia and the Pacific	150.9	114.8	98.9	94.8	93.9	75.9	62.3	41.9	33.3	31.3	30.5	23.0
South Asia	399.4	414.6	392.8	389.0	387.8	359.8	78.5	69.9	64.1	62.9	61.5	52.2
Latin America and the Caribbean	33.4	22.6	19.1	18.9	18.5	15.9	16.0	9.1	7.2	6.9	6.7	5.3
Middle East	3.8	4.9	4.9	5.0	5.0	4.9	9.3	8.7	7.6	7.5	7.4	6.4
North Africa	10.6	9.2	8.9	8.8	8.8	8.6	23.8	16.7	14.9	14.6	14.2	12.6
Sub-Saharan Africa	170.3	191.1	202.2	204.6	207.4	214.0	75.4	68.9	65.0	63.8	62.8	55.6

Note: 2012-2018 are projections. Totals may differ due to rounding. Source: ILO, Trends Econometric Models, October 2013; see also source of table A2.
Source: 2014 ILO Report on Global Employment Trends (table A14b).

Table 3
Informal employment as a percentage of non-agricultural employment (2004-2010)

South Asia: 82 per cent	Range: 62 per cent in Sri Lanka to 84 per cent in India
Sub-Saharan Africa: 66 per cent	Range: 33 per cent in South Africa to 52 per cent in Zimbabwe to 82 per cent in Mali
East and South-East Asia: 65 per cent	Range: 42 per cent in Thailand to 73 per cent in Indonesia
Latin America: 51 per cent	Range: 40 per cent in Uruguay to 75 per cent in Plurinational State of Bolivia
Middle East and North Africa: 45 per cent	Range: 31 per cent in Turkey to 57 per cent in West Bank and Gaza

Source: Vanek et al. 2014, also available at http://wiego.org/informal-economy/statistical-picture.

Table 4
Current investment, investment needs and gaps, and private sector participation in key Sustainable Development Goal sectors in developing countries (2015-2030)

		Estimated current investment, latest available year (billions of US dollars)	*Total investment required*	*Investment gap*	*Average private sector participation in current investment (percentage)*	
		Annualized billions of US dollars (constant price)				
Sector	*Description*	*(a)*	*(b)*	*(c) = (b)-(a)*	*Developing countries*	*Developed countries*
Power	Investment in generation transmission and distribution of electricity	~260	630-950	370-690	40-50	80-100
Transport	Investment in roads, airports, ports and rail	~300	350-770	50-470	30-40	60-80
Telecommunications	Investment in infrastructure (fixed lines, mobile and Internet)	~160	230-400	70-240	40-80	60-100
Water and sanitation	Provision of water and sanitation to industry and households	~150	~410	~260	0-20	20-80
Food security and agriculture	Investment in agriculture, research, rural development, safety nets, etc.	~220	~480	~260	~75	~90
Climate change mitigation	Investment in relevant infrastructure, renewable energy generation, research and deployment of climate-friendly technologies, etc.	170	550-850	380-680	~40	~90
Climate change adaptation	Investment to cope with impact of climate change in agriculture, infrastructure, water management, coastal zones, etc.	~20	80-120	60-100	0-20	0-20
Ecosystems/ biodiversity	Investment in conservation and safeguarding ecosystems, marine resource management, sustainable forestry, etc.		70-210			
Health	Infrastructural investment, e.g. new hospitals	~70	~210	~140	~20	~40
Education	Infrastructural investment, e.g. new schools	~80	~330	~250	~15	0-20

Source: UNCTAD, table IV.2.

Table 5
List of urban economic actors

Functions	*Legislative framework*	*Business environment*	*Trade logistics*	*Infrastructure and services*	*Access to finance*	*Human capital development*
National Governments	Department of Finance — Treasury Department of Trade and Industry (trade and industrial policy) Department of Land (land policy) Department of Environment (environmental policy) Department of Local government (intergovernmental relationships and funding regime)	Department of Justice (enforcement of rights and mediating conflict) Department of Land (registering land and property)	Department of Transport (transport policy) National ports, airport, railway and roads authorities Department of Planning National revenue authorities (port fees, import export fees, etc.)	Department of infrastructure and planning (policy framework) Department of Finance (infrastructure finance framework)	Department of Trade and Industry (loans to business/ small and medium-sized enterprises)	Department of Education and Training and Manpower Department of Health
Urban governments	Department of planning and development (regulation of municipal trading and land-use by-laws)	Departments of development and planning/ regulation (licensing, permits), economic development (services, incentives, business zones, incubators, etc.)	Department of transport — local road networks, ports authority	Municipal water, electricity and infrastructure companies	Department of Economic Development (partnerships with lending societies)	Department Education Training and Manpower Department of Health (primary health local clinics, hospitals)

Functions	*Legislative framework*	*Business environment*	*Trade logistics*	*Infrastructure and services*	*Access to finance*	*Human capital development*
International/ global actors	Multinational and bilateral institutions (international and regional trade agreements) United Nations (environmental policies and declarations) UNCTAD, UNIDO, WTO, ILO, etc.			World Bank Regional banking institutions Multinational and bilateral donors	Multinational and bilateral organizations focused on livelihoods	Multinational and bilateral donors in the health and livelihood sectors
Private sector		Business associations Individual firms and industry	Firms and service providers (clearing and forwarding companies, etc.) Import-export companies Suppliers/ producers	Privatized municipal service companies	Banks — (traditional) Cooperatives	Hospitals Training and educational institutions
Civil society		Non-profit business associations Lobby groups		NGOs providing urban services	NGOs working in the livelihood and business development sector	NGOs working in the health and education sectors Trade unions
Informal sector and workers		International, regional associations, Local trade and business associations, trade unions, cooperatives and firms		Local service providers (water, garbage collection, sewer)	Rotating credit and savings associations	

Annex II

Boxes

Box 1
Start-up cities

The late twentieth and early twenty-first centuries have seen the rapid emergence of a number of leading cities and urban regions, such as Boston and Silicon Valley, that specialize in building start-up companies that disrupt traditional markets and create new ones.[a] The success of these cities has resulted in intense concentration of innovation, wealth and high-value employment in the past 20 years.[b] Today, however, technology entrepreneurship is occurring around the world. Most start-up cities are communities inside large conurbations such as London, Berlin and Tel Aviv. But mid-size cities such as Austin and the Waterloo region in Canada are also successful. Importantly, this is not just a phenomenon of the developed world. Cities such as Bangalore, Sao Paulo and Santiago, and Nairobi[c] demonstrate that start-up cities can emerge in developing countries where the right environmental conditions exist.

What are those conditions? The key factors include the concentration of creative, highly motivated and entrepreneurial knowledge workers (engineering, design and business talent), mentorship from serial entrepreneurs, and access to venture capital. But the engine that drives a start-up ecosystem are the creative minds that build new companies. Their aspiration to live in dynamic, compact cities has created a shift in venture capital and technology start-ups to transit-supported, diverse urban centres.[d] As a result, start-up cities are also cities that are reinforcing international Sustainable Development Goals.

Start-up cities are not without challenges. As high-productivity, high-wage cities, their housing markets can be inflated and inaccessible to the working poor. But as generators of nationally and internationally significant innovation and high levels of productivity, they play an important part in the development of a competitive national economy.

[a] Compass, The Global Start-up Ecosystem Ranking 2015.
[b] Florida R., King K. Rise of the Global Start-up City: The Geography of Venture Capital Investment in Cities and Metros across the Globe, Martin Prosperity Institute, 2016.
[c] Greg Scruggs, How Nairobi built a thriving tech community, Citiscope, April 2015.
[d] Florida R., Start-up City: The Urban Shift in Venture Capital and High Technology. Martin Prosperity Institute, 2014.

Box 2
Macroeconomic reforms and economic development in urban China

China is the biggest success story in the history of contemporary poverty reduction. It was the fifth poorest economy in the world in 1981 in terms of incidence of extreme poverty (Ravalion, 2009). However, between 1981 and 2011, China managed to lift 753.75 million people out of extreme poverty, contributing 79.6 per cent of global poverty reduction over the same period (http://iresearch.worldbank.org/PovcalNetPPP2005). This was the result of sustained productivity growth. Between

1981 and 2005, its GDP per capita grew by 8.8 per cent per annum and its poverty headcount index fell from 84 per cent to 17 per cent (Ravalion, 2009). Its human development index rose from 0.501 in 1990 to 0.724 in 2014.

So what does explain this tremendous success? While the answer is debated, there is relative consensus that China benefited from two major structural transformations under its post-1978 macroeconomic reforms (including open-door policy): relocations of labour from agriculture to non-agriculture and from the State sector to the non-State sector. Between 1978 and 2004, agriculture's share of total employment fell from 69 per cent to 32 per cent, while the State sector's share of non-agricultural employment fell from 52 per cent to 13 per cent. These translated into a ninefold employment growth in the non-State sector, from 48.9 million in 1978 to 446 million in 2004, and 3.6-fold employment growth outside agriculture, from 144 million to 513 million (Brandt et al., 2008). Four factors, namely productivity growth in agriculture, relocation of labour from low-productivity agriculture to higher-productivity non-agriculture, the reductions in barriers to labour reallocation, and total factor productivity growth in the non-State sector, contributed to the aggregate labour productivity growth, with the fourth factor making the biggest contribution (40 per cent) (ibid.). In fact, these four factors were mutually reinforcing. Agricultural productivity growth benefited from both institutional changes (especially the introduction of the Household Responsibility System in the late 1970s), increased application of fertilizers and the absorption of labour by township and village enterprises that mushroomed to meet growing domestic and international demand for labour-intensive industrial products. The development of these rural industries in turn led to increased demand for capital goods, thus boosting industrialization and urbanization in China (Zhang, 2015).

Opening up played an important role in enabling the Chinese manufacturing firms to engage in a manufactured exports-oriented growth model. While inward FDI stock in China grew from $20.7 billion in 1990 to $832.9 billion in 2012 according to UNCTAD, Chinese exports value rose from $18 billion in 1980 to $2,209 billion in 2013. According to Chinese official statistics, the value of manufactured exports rose from $9 billion to $2,102 billion from 1980 to 2013, contributing 95.5 per cent of China's total exports growth during this period. Furthermore, the success of manufacturing has spurred a booming construction industry: from 2003 to 2013, the number of employed persons in urban units in manufacturing increased from 29.8 million to 52.6 million, compared with an increase from 8.3 million to 29.2 million in construction.

The recent success of China demonstrates the potential of macroeconomic reforms for creating productive employment, reducing poverty and enhancing welfare on a large scale.

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Box 3
Support for informal settlements in Senegal

Problem

Located in the western part of Africa, Senegal, with an area of 196,722 km^2, is inhabited by 13,508,715 people with a population growth rate of 2.7 per cent. In 1976, 34 per cent of the population lived in cities, increasing to 45.2 per cent in 2013. This urbanization led to the development of large informal settlements, representing 30-45 per cent of the total urban areas of the cities. These settlements generally have no infrastructure such as roads, water conveyance, electricity and sewage systems. They have no or not enough social facilities such as schools, sports grounds or any community infrastructure. A number of these settlements are located on floodplains and are periodically flooded, creating severe environmental problems. Residents of these settlements do not have legal tenure for their housing plots and they are often shifted from place to place and relocated elsewhere, far from the place of employment and schools.

Solution

Since 1989-1990, the Government has changed its policy towards these informal settlements and the people living there. Instead of shifting them from their site, the Government has decided to leave them and to improve the settlement by creating facilities and infrastructure and legalizing the land tenure of local residents. The plots are free of charge. People participate only in the financing of the infrastructure. The programme is based on a legal framework instituted by decree No. 91-784 of 29 July 1991.

Actions

Creation of a public agency operator named the Right to the City Foundation in 2000. It is officially recognized as beneficial to the public at large and has led to the creation of the housing improvement programme and a supporting fund for the programme (instituted by decree No. 96-386 of 15 May 1995), new planning of the site details, layout and size of the housing plots with the people, creation of facilities and infrastructure, and legalization of land tenure. The beneficiaries participate financially by giving a small amount of money. If the land of the informal settlement is privately owned, the Government may purchase it in order to secure clear title for the residents.

The programme includes economic support for women and full participation of citizens throughout the process (they decide how to divide the land, what the facilities are and what kind of infrastructure is to be built). The Right to the City Foundation works for the local bodies or for the Government in some cases.

Stakeholders

The Ministry in charge of city planning; the Departments of City Planning and Architecture, the Right to the City Foundation, the Ministry of Finance, the local bodies; beneficiaries; civil society; the Senegalese Housing Bank; the development partners: the German Agency for International Cooperation (GIZ), the European Union, UN-Habitat and the private sector.

Outcomes

The people living in the informal settlements can now have legal land tenure; 3,031 beneficiaries received their own private property (landed real estate); they can now borrow money from the Senegalese Housing Bank or other financial institutions by mortgaging the legal paper of their plot; the site is equipped with social facilities and adequate infrastructure; the environment is improved, the sanitary conditions well ameliorated. New property owners under the programme can obtain a building permit and build the house they want. Some jobs are created in the informal sector as a result of construction of the facilities and infrastructure.

Box 4

Participatory decision-making in a mid-size city of Turkey: Çanakkale

Çanakkale is a mid-size city located in north-western Turkey on the Asian coast of Dardanelles Strait. The population of the city is around 160,000. The city is listed in the second rank of the six groups established for the socioeconomic development index (SEGE 2011). The education level of the inhabitants is above the country average. Residents consist of retirees, civil servants and students.

Following Habitat II, Çanakkale was selected as one of the pilot cities for the implementation of Local Agenda 21. A local-civic initiative, which had already been organized in order to oppose the construction of the Dardanelles Strait bridge, extended support to the bottom-up decision-making model for the city. The Çanakkale City Council was established in 2004 and the action plan of the city was prepared in 2006-2008 by extensive participation of the inhabitants. Furthermore, the Municipality of Çanakkale initiated a participatory budgeting programme. The Fevzipaşa neighbourhood, located at the historical centre where the poorest Romani people live, was identified as a pilot site. The City Council carried out research in 2011, then established a neighbourhood council to discuss the possible means for the disadvantaged Romani people to participate in the local economy. This approach helped the unorganized Romani dwellers to participate in the decision-making processes involving their neighbourhood. The priorities of the local people for the participatory budget were improvement of the Zafer public space and development of social and cultural activities. Later this process was repeated in other neighbourhoods of Çanakkale, but the Fevzipaşa neighbourhood remained as the one with the highest number of participants.

The immediate result of these efforts was the establishment of the community social centre which was realized with the financial support of the Çanakkale Municipality. The Neighbourhood Council and the City Council carried out the coordination. Women and children constitute the target groups. Music, dance and photography courses for children and sewing courses for women are held with the help of volunteers and artists. The goal of the forthcoming projects is poverty alleviation through training and capacity-building of the poor for the service sector in the city.

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SEGE 2011 Socioeconomic Development Ranking of Cities and Regions, Ministry of Development, Ankara, 2013.

Box 5
Compact cities

Cities in different stages of development have, in general, very different conditions with respect to infrastructure and location of residents and jobs. These conditions can only be changed over time, but they can have a huge impact on urban economic development. Hence, urban economic strategies should be linked and embedded in the long-term strategic city plans and take into account and consider the benefits in city efficiency that may come from an upgraded infrastructure and the proximity between residents and jobs.

In this context, the concept of the compact city emerges in opposition to the sprawling city. Compact cities are, in general, linked to higher population densities and to a constrained city area. Functioning markets for land help to promote compact cities, as high land values encourage economizing on land use by, for example, building tall.

The benefits of a compact city are many, such as energy efficiency, shorter trips, more people interactions, a more physically active population, vibrant and safer neighbourhoods, greater economic activity and more employment opportunities. Compact cities also bring advantages to the city administration as the infrastructure and public facilities are utilized more intensively, city maintenance is facilitated, and fewer trips to collect garbage are required, among other benefits. Density enables and requires compatible public transportation systems, and when associated with mixed use and mixed income may lead to vibrant, healthier, safer and more diversified neighbourhoods with more walking and non-motorized trips. Quality and green public spaces are also essential ingredients of these denser neighbourhoods and there should be compatibility between both the planned infrastructures and higher densities.

Box 6
Local economic development in Morogoro, United Republic of Tanzania

In 2011, the City Council of Morogoro, United Republic of Tanzania, initiated a local economic development programme with the support of the Association of Local Authorities of Tanzania, the Federation of Canadian Municipalities and the City of Kitchener. Morogoro is a regional service centre, a secondary city at a crossroads in the national highway network. Its hinterland includes a significant agricultural area as well as one of the largest protected areas in Africa. The city is an education centre with several nationally important universities. The primary agricultural export is sisal, though numerous agricultural products are exported from the region, and a tourism industry is under development.

Morogoro's project began with a strategic planning process which included participants from a cross section of the local economy. Stakeholders identified cluster development opportunities as a key focus for future investment. The Morogoro Municipal Council has professional staff in areas related to economic development, including trade, community development, agricultural development, land-use planning and development, and the administration of a robust central market. However, there was no centralized economic development function in the municipal structure.

As a result of the programme, the Municipal Council began working with the local Chamber of Commerce to establish a small business centre. It had staff trained in local economic development and economic clusters. The city helped to launch six new cluster initiatives in diverse microindustries and small-scale industries such as milling, clothing, gemstone cutting and polishing, and furniture manufacturing. By 2015, 850 individuals, primarily entrepreneurs, were involved in cluster development initiatives to enhance their competitiveness and expand their businesses. Many of the entrepreneurs had previously been engaged strictly in the informal economy.

Reference:
https://www.fcm.ca/Documents/case-studies/International/2015/PARTNERSHIP_BETWEEN_THE_MOROGORO_MUNICIPAL_COUNCIL_AND_THE_CITY_OF_KITCHENER_E.pdf.

Box 7
Information, dialogue and negotiating platforms

The WIEGO network and its partners have seen significant advances in cities where the city's elected officials and administration engage positively with informal workers to explore mutual solutions. In these cities, including Accra, Bangkok and Lima, several types of platforms have been successfully developed as a mechanism for ensuring productive dialogue between cities and urban informal workers. Specific platform types or approaches include the following:

- Information-sharing platforms — space for information sharing and discussion of common interests at regular frequency between urban informal workers, government authorities, and NGOs/researchers/academics.
- Dialogue platforms — purpose-driven, non-confrontational, facilitated dialogues between workers and government officials for building awareness/understanding but not necessarily for agreement or specific results.
- Negotiating platforms – - as a space for dialogue and negotiation between urban informal workers and government authorities moving towards agreement(s) on specific issues with authority to make agreements.

These platforms are supported by capacity-building activities to help strengthen the membership-based organizations of urban informal workers as they engage in the platforms, as well as research and documentation to provide information necessary to support informed decision-making at the city level.

Box 8
São Paulo Urban Operation Law

São Paulo introduced an urban intervention mechanism called "Urban Operation" which was later adopted as law for cities in Brazil (city statute). This instrument is directed to areas that need structural transformations, social uplift and environmental improvements. It has a value capture instrument that minimizes the public investment required to cover the costs of its implementation such as infrastructure and social housing.

In a given area, an Urban Operation law defines the perimeter, goals, urban master plan and new infrastructure required. Funding may be obtained by auctioning certificates (CEPACs) that can be converted by the developer into additional building rights above the basic floor area ratio up to that defined by the law. In effect, developers are buying an option to densify in specific areas of the city. CEPACs are auctioned at the stock exchange and supervised by a regulatory agency (CVM), providing credibility and transparency to the process. The system also builds in community participation by including civil society from the planning process to the implementation phase.

From an economic development perspective it is a powerful instrument since, in addition to capturing value and allowing key investments that the city's budget might not otherwise support, it can induce the transformation of areas according to the city's long-term vision. For example, the Urban Operation "Água Espraiada" is providing funds for a transit corridor and for transforming precarious settlements into high-quality and well-located social housing, at the same time that it is helping to configure the third business district of the city. Urban Operation "Água Branca" should induce the transformation of low-density industrial areas into inclusive mixed-income, mixed-use and dense neighbourhoods supported by transit infrastructure.

Box 9

Local government, transport investment and equity: the case of Medellin, Colombia

Decisions around transport infrastructure lie at the core of what many city governments do. Such decisions often benefit some groups over others, by for example contributing to land price increases in wealthier neighbourhoods or providing faster access to cars in suburban locations. They have the potential to help guide future urban growth but equally crucially they can be powerful tools for a more equitable distribution of the benefits of economic growth or, alternatively, for further marginalizing already marginalized populations and individuals.

Medellin, Colombia's second largest city, offers a remarkable case of socially progressive investment in transport infrastructure and physical upgrading of low-income areas that has helped compensate for growing income inequalities and deeply entrenched violence and social dislocation. At the centre of this are three cable-car lines that connect an overground rapid transit system with hitherto partially isolated dense and hilly neighbourhoods marked by high levels of unemployment and violence. Launched in the early 2000s, this was the first time this fast, low-emission mode of transport adapted from ski lifts was used to help reduce the high levels of spatial segregation so pervasive in many Latin American cities. In financial terms, public investment in creating or upgrading public spaces and small parks, roads, education and leisure facilities, and building capacity for the local population, dwarfed investments in the cable-car lines. Crucial to these interventions in this city of 3.5 million inhabitants was a stable revenue base, an updated cadastral system, and a sophisticated betterment tax system. Also important was a decision to employ local inhabitants in all public works done in the neighbourhoods.

Investments were made possible by the coordinated action of strong, highly respected publicly owned local institutions, including the utilities company, Empresas Públicas de Medellin (EPM). EPM is in effect a multinational public company with assets in excess of $10 billion that between 2010 and 2012 transferred close to $1.4 billion in surplus to the municipal government, providing much-needed cash for projects, particularly for the city's troubled low-income settlements.

Reference:

Dávila, Julio D. (ed.), 2013, *Urban Mobility and Poverty: Lessons from Medellin and Soacha, Colombia*, DPU-UCL and Universidad Nacional de Colombia (freely downloadable and also available in Spanish).

Box 10

Street vendors in South Africa

In South Africa, one third of all economically active persons are engaged in the informal economy, and, in urban areas, nearly 30 per cent of all informal workers are involved in trade. Despite the predominance of informal trade in South Africa and elsewhere, there are very few good examples of inclusive urban planning for street traders. For many years, Warwick Junction, a precinct in the inner city of Durban that houses, on a busy day, up to 8,000 street and market traders, was looked to as best practice of street vendor management and support, characterized by high levels of consultation with and support to the street vendors, including the building of shelter, the provision of infrastructure services, and the design of equipment.

But in February 2009, to the surprise of many, the Durban/eThekwini Municipality announced its plans to grant a 50-year lease of public land to a private developer to build a shopping mall in Warwick Junction, at the site of the Early Morning Market, a fresh produce market in the centre of the Junction that was to celebrate its centenary in 2010. These plans entailed a redesign of the whole district ensuring that the foot traffic, estimated at 460,000 commuters a day, would be directed past the mall rather than the informal traders, threatening the viability of all street and market traders in the Junction.

There was a groundswell of opposition to the proposal and a major civil society campaign opposing the development ensued. There has been a long history of street trader organizing in Durban in general and in the Warwick Junction in particular. Street trader organizations were supported by the Congress of South African Trade Unions and the South African Communist Party in the KwaZulu-Natal province who publicly opposed the proposals. Durban is also the headquarters of the international alliance of street trader organizations or StreetNet. Civil society groups meet weekly under StreetNet's campaign World Class Cities for All. Urban practitioners and academics also joined the campaign — writing letters to the press, arranging public debates and giving technical assistance. Central to this campaign was a series of legal cases pursued by a public interest, non-profit law firm — the Legal Resources Centre (LRC).

The essence of the case was challenging the process by which the city awarded the contract to a private real estate developer, thus drawing on administrative law. This entailed close scrutiny of a vast number of council documents the City was forced to furnish the legal team. It is unlikely that the case would have been won with reference to socioeconomic rights alone. With respect to the process, on the one hand the legal case was a key component of a major civil society campaign, while on the other hand civil society support and input were critical to the success of the legal case. Asiye eTafuleni, a local non-governmental organization that provides technical support to the informal economy active in the area facilitated access to appropriate claimants for LRC and monitored daily developments in the market, so alerting LRC to day-to-day harassment of traders by the city. These traders were supported by a strong network of trader organizations that have been operating in the area for years and the broader civil society group that rallied around this issue. Finally a group of urban practitioners identified with this issue and gave professional expertise — advice on environmental impact assessment processes, heritage legislation, urban design and architectural inputs all of which informed the court papers.

By April 2011 the City Council finally rescinded its 2009 decision to lease the market land for the mall development noting that there was "little prospect of the legal challenges relating to the current proposal being resolved". This was a major victory for the street vendors of Warwick Junction. In 2014, the Legal Resources Centre with support of many of the same allies won another legal case which ruled against the confiscation of street vendor goods as illegal, unconstitutional and immoral.

Box 11
Waste pickers in Colombia

For decades, if not centuries, *recicladores* (waste pickers) in Colombia's capital, Bogotá, have earned a living by recycling metal, cardboard, paper, plastic, and glass and selling the recycled material through intermediaries. Today there are an estimated 12,000 *recicladores* in Bogotá. Waste picking is a difficult job, and workers are subject to arbitrary pricing by middlemen and to harassment and discrimination on the streets.

The privatization of public services, including waste collection, threatened the livelihoods of the *recicladores*. Municipal governments have been allowed to give exclusive contracts to private companies for the collection, transport, and disposal of waste and recyclables. Over the past 10 years, *recicladores* have struggled to continue waste picking and have filed legal claims to preserve their occupation. Organizations such as the Asociación de Recicladores de Bogotá (ARB), an umbrella association of cooperatives representing over 2,500 waste pickers in Bogotá, played a key role in aggregating claims and taking the legal cases forward.

The *recicladores* achieved a landmark victory in 2003 when the Constitutional Court ruled that the municipal government's tendering process for sanitation services had violated the basic rights of the waste-picking community. In making its case, the association and its pro bono lawyers appealed to the Constitution's provision of the right to equality, arguing that waste pickers should be allowed preferential treatment and judicial affirmative action in the tendering and bidding process for government contracts to manage waste.

Subsequent cases have appealed to constitutional provisions, including the right to survival as an expression of the right to life (art. 11 of the Constitution), which was used to argue the right to pursue waste picking as a livelihood, and the right to pursue business and trade (art. 333), which was used to argue that cooperatives of waste pickers — and not only corporations — can compete in waste recycling markets. The most recent ruling, in December 2011, halted a scheme to award $1.7 billion worth of contracts over 10 years to private companies for the collection and removal of waste in Bogotá City. The court mandated that the cooperatives of waste pickers had a right to compete for the city tenders and gave ARB until 31 March 2012 to present the municipality with a concrete proposal for solid waste management inclusive of the waste-picking community. With the help of allies, ARB prepared such a proposal, elements of which were adopted into the official proposal made by the district agency in charge of the city's public service. In March 2013, the city began to pay waste pickers for their waste collection and transport services. However, since then, the political fortunes of the Bogota model of waste picker integration into solid waste management have gone up and down and remain uncertain: the mayor of Bogota who implemented the 2011 constitutional ruling in favour of the waste pickers was forced to resign but a national decree mandated that the Bogota model should be replicated in other cities of the country.

Box 12
Subsector mapping

A subsector is the network of actors and enterprises involved in the production and distribution of a given good or service. Some subsectors are delineated by a specific end product (e.g. garment); others are delineated by a specific raw material (e.g. recycled waste material) or commodity (e.g. onion); still others are delineated by a specific type of service (e.g. waste collection and disposal).

Subsector mapping refers to the identification and analysis of the principal functions, participants and channels or flows in a subsector. Mapping of subsectors will help city planners and policymakers identify the bottlenecks and opportunities facing different sizes of enterprises — especially the medium-sized, small and informal enterprises — within key subsectors in the local economy. This should be done in consultation with the participants in each key subsector with a view to helping them address bottlenecks and seize opportunities and, thus, increasing their productivity and enhancing the local economy.

The subsector mapping should involve the following steps:

(a) The key functions, tasks or operations in the subsector should be specified: from input supply to production, assembly or processing to marketing;

(b) The key participants in the subsector should be identified according to what function they perform and also where they are located: input supplier; producer, assembler or processor; wholesale, retail or informal marketer;

(c) The primary channels — the transactions — through which goods or services flow should be specified, with a view to understanding the relationships between the various participants and to identifying specific bottlenecks and opportunities along the subsector chain.

The mapping of key subsectors in the city economy, if done in joint consultation with the participants, would serve to identify both opportunities and constraints to local economic development; identify clusters of production and distribution along the subsector chain; develop understanding and consensus between different participants; and, in the process, identify the most appropriate and acceptable policy measures to increase productivity of all participants in the subsector.

References:

Chen, Martha A. (ed.) 1996. Beyond Credit: A Subsector Approach to Promoting Women's Enterprises. Ottawa, Canada: Aga Khan Foundation Canada.

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